



**T-BIRD PHARMA INC.**  
(Formerly Firebird Energy Inc.)

## Consolidated Financial Statements

For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to  
December 31, 2013  
*(Expressed in Canadian Dollars)*

## **T-BIRD PHARMA INC.**

### **Management's Responsibility for Financial Reporting**

The accompanying consolidated financial statements have been prepared by and are the responsibility of the Board of Directors and Management of the Company.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect Management's best estimates and judgments based on currently available information. The Company has developed and maintains a system of internal controls in order to ensure, on a reasonable and cost effective basis, the reliability of its financial information.

The Board of Directors is responsible for overseeing Management's performance of its responsibilities for financial reporting and internal control. The Audit Committee, which is composed of non-executive directors, meets with Management as well as the external auditors to ensure that Management is properly fulfilling its financial reporting responsibilities to the Directors who approve the financial statements. The external auditors have unrestricted access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal controls and to review financial reporting issues.

The financial statements have been audited by A Chan And Company LLP. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

April 17, 2015

/s/ Bin Huang

Bin Huang  
Chief Executive Officer

/s/ Sandy Pratt

Sandy Pratt  
Chief Financial Officer



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A CHAN AND COMPANY LLP

## INDEPENDENT AUDITORS' REPORT

To: the Shareholders of  
T-Bird Pharma Inc. (formerly Firebird Energy Inc.)

We have audited the accompanying consolidated financial statements of T-Bird Pharma Inc. (formerly, Firebird Energy Inc.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholder's equity and consolidated statements of cash flows for the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the 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.

### Auditors' 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 in our audits 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 the Company as at December 31, 2014 and 2013, and its financial performance and its cash flows for year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013 in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

*"A Chan & Company LLP"*

Vancouver, British Columbia  
April 10, 2015

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian dollars)

	December 31, 2014	December 31, 2013
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 1,718,795	\$ 1
Accounts receivable (Note 5)	42,548	-
Prepaid expenses (Note 6)	70,888	-
Other assets (Note 7)	6,595	-
<b>Total current assets</b>	<b>1,838,826</b>	<b>1</b>
Plant and equipment (Note 8)	202,708	3,945
<b>TOTAL ASSETS</b>	<b>\$ 2,041,534</b>	<b>\$ 3,946</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 114,009	\$ 5,500
Due to related parties (Note 9)	19,851	5,088
Note payable (Note 10)	-	8,017
<b>Total current liabilities</b>	<b>133,860</b>	<b>18,605</b>
<b>TOTAL LIABILITIES</b>	<b>133,860</b>	<b>18,605</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 11)	3,076,966	1
Contributed surplus	1,490,473	-
Accumulated deficit	(2,659,765)	(14,660)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,907,674</b>	<b>(14,659)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 2,041,534</b>	<b>\$ 3,946</b>

Nature and continuance of operations (Note 1)  
Commitments (Note 12)  
Subsequent Events (Note 18)

On behalf of the Board of Directors:

/s/ David Raffa  
Director

/s/Frank Barr  
Director

*See accompanying notes*

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013  
(Expressed in Canadian dollars)

	Year ended December 31, 2014	Incorporation Date January 28, 2013 to December 31, 2013
<b>EXPENSES</b>		
Accounting and legal	\$ 85,454	\$ 5,500
Advisors and consultants	243,287	-
Amortization	20,188	696
Facility	148,088	5,643
General administrative	64,455	2,821
Investor relations	74,978	-
Production	36,012	-
Share-based payment (Note 11)	728,494	-
Wages and benefits	497,855	-
	1,898,811	14,660
<b>Other expenses</b>		
Reverse acquisition transaction costs (Note 2)	746,294	-
	2,645,105	14,660
<b>Loss before income taxes</b>	2,645,105	14,660
Income tax expense (Note 15)	-	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	2,645,105	14,660
<b>Basic and diluted loss per common share</b>	\$ 0.07	\$ 0.00
<b>Weighted average number of common shares outstanding</b>		
-basic	37,081,841	10,000,000
-diluted	37,081,841	10,000,000

*See accompanying notes*

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian dollars, except share number)

	Common Shares Without Par Value		Contributed Surplus	Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance, January 28, 2013	30,000,000	\$ 1	\$ -	\$ -	\$ 1
Net loss for the period	-	-	-	(14,660)	(14,660)
Balance, December 31, 2013	30,000,000	\$ 1	\$ -	\$ (14,660)	\$ (14,659)
Shares issued for April subscription	1,578,750	252,600	-	-	252,600
Shares issued for May private placement	3,750,264	600,042	-	-	600,042
Recapitalization - Firebird	2,005,312	671,780	-	-	671,780
Shares issued for RTO Finder's fees	1,236,515	(414,233)	414,233	-	-
Shares issued for September private placement	7,500,000	1,966,776	600,341	-	2,567,117
Share-based payments	-	-	475,899	-	475,899
Net loss for the year	-	-	-	(2,645,105)	(2,645,105)
Balance, December 31, 2014	46,070,841	\$ 3,076,966	\$ 1,490,473	\$ (2,659,765)	\$ 1,907,674

*See accompanying notes*

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)****CONSOLIDATED STATEMENTS OF CASH FLOWS****For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013****(Expressed in Canadian dollars)**

	<b>Year ended December 31, 2014</b>	<b>Incorporation date January 28, 2013 to December 31, 2013</b>
<b>Operating activities</b>		
Loss for the period	\$ (2,645,105)	\$ (14,660)
Items not involving cash		
Amortization	20,188	696
Share-based payments	728,494	-
Reverse acquisition transaction costs	653,056	-
Changes in non-cash operating working capital		
Accounts receivable	(42,548)	-
Prepaid expenses	(70,888)	-
Other assets	(6,595)	-
Accounts payable and accrued liabilities	108,508	5,500
Net cash flows used in operating activities	(1,254,890)	(8,464)
<b>Investing activities</b>		
Purchase of plant and equipment	(218,951)	(4,641)
Net cash flows used in investing activities	(218,951)	(4,641)
<b>Financing activities</b>		
Advances from shareholders	14,763	5,088
Proceed from (Repayment of) note payable	(8,017)	8,017
Proceeds of share issuance	3,185,889	1
Net cash flows generated from financing activities	3,192,635	13,106
<b>Increase(decrease) in cash and cash equivalents during the year</b>	<b>1,718,794</b>	<b>1</b>
<b>Cash, and cash equivalents beginning of year</b>	<b>1</b>	<b>-</b>
<b>Cash, and cash equivalents end of year</b>	<b>\$ 1,718,795</b>	<b>\$ 1</b>

*See accompanying notes*

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013**

**(Expressed in Canadian dollars)**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

T-Bird Pharma Inc. (the "Company" or "Corporation"), formerly Firebird Energy Inc. ("Firebird") was incorporated by articles of incorporation pursuant to the Business Corporations Act of British Columbia on July 31, 2007 as Firebird Capital Partners Inc. Its registered office is at Suite 2600 Oceanic Plaza, 1066 West Hastings Street, Vancouver, B.C. V6E 3X1. On December 27, 2012 the Company changed its name to Firebird Energy Inc. On September 4, 2014, Firebird Energy Inc. completed the acquisition of all of the issued and outstanding common shares of Thunderbird Biomedical Inc. ("Thunderbird"), by way of a reverse takeover (the "Transaction") under the rules of the TSX Venture Exchange and concurrently changed its name to T-Bird Pharma Inc. The Company is classified as a Tier 2 Venture Issuer on the TSX Venture Exchange.

The Company was engaged in the exploration, development, and production of oil and natural gas and liquidated all oil and gas assets plus related liabilities immediately prior to the acquisition of Thunderbird. Thunderbird is a private Victoria-based company and was incorporated by articles of incorporation pursuant to the Business Corporations Act of British Columbia on January 28, 2013. The principal business of Thunderbird is the production of medical marijuana pursuant to the Marijuana for Medical Purposes Regulations (See Note 18).

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At December 31, 2014, the Company had not yet achieved profitable operations and had accumulated losses of \$2,659,765 (2013 - \$14,660) since its inception. The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern without raising additional capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate capital and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

**2. ACQUISITION**

On September 4 2014, the Company completed a reverse takeover transaction (the "RTO" or the "Transaction") pursuant to a share exchange agreement made on July 30, 2014, between Firebird and Thunderbird. Firebird acquired all of the issued and outstanding shares of Thunderbird in consideration for three T-Bird Pharma shares for each common share of Thunderbird. Under these terms, T-Bird Pharma issued 35,329,014 common shares to complete the acquisition.

Concurrent with the completion of the Transaction, the Company affected a consolidation of its share capital, on a 15 (old) for 1 (new) basis.



**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013**

**(Expressed in Canadian dollars)**

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**2. ACQUISITION (Continued)**

Also concurrent with the completion of the Transaction, the Company completed a private placement of 7,500,000 post-consolidation units at \$0.40 per unit, for gross proceeds of \$3 million. Each unit is comprised of one common share and one-half of one common share purchase warrant, with each whole warrant being exercisable into one share at an exercise price of \$0.80 until September 4, 2015.

The value of net monetary assets of Firebird (a legal parent) acquired in exchange for all of the issued and outstanding common shares of Thunderbird (a legal subsidiary) is set out as follows:

Cash	\$ 1,555
Accounts receivable	16,467
Prepays	30,750
Accounts payable	<u>(30,048)</u>
Net assets acquired	<u>\$ 18,724</u>

In accordance with IFRS 3, Business Combinations, the substance of the transaction was a reverse acquisition of a non-operating company. The transaction does not constitute a business combination since Firebird does not meet the definition of a business under the standard. As a result, under IFRS the transaction is accounted for as a capital transaction with Thunderbird being identified as the acquirer and the transaction being measured at the fair value of the equity consideration issued to Firebird.

IFRS 2, Share-based Payments, applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. Since Thunderbird shareholders have issued shares with a fair value in excess of the net assets received, IFRS 2 would indicate that the difference is recognized in comprehensive loss as a reverse acquisition transaction cost.

The fair value of the consideration is determined based on the percentage of ownership the legal parent's shareholders have in the combined entity after the reverse takeover transaction. By reference to a completion of a private placement of 7,500,000 units at \$0.40 per unit on a closing date of the Transaction, the fair value of each Company common share at the time of the Transaction was \$0.335. Accordingly, the value of the 4.35% (i.e. 2,005,312 shares) of the share capital owned by former owners of the Company at the time of the Transaction was \$671,780. In addition, the Company incurred \$93,238 related to this Transaction.

The amount assigned to the reverse acquisition transaction cost is \$746,294, being the difference between the fair values of the equity consideration (\$671,780), related legal costs (\$93,238) and the net identifiable assets of Firebird (\$18,724). Under IFRS, this amount is included in the statement of comprehensive loss.

Consideration	\$ 671,780
Legal costs	93,238
Net monetary assets acquired	<u>(18,724)</u>
Unidentifiable assets acquired	<u>\$ 746,294</u>

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013**

**(Expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES**

**a) Statement of compliance**

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

The annual consolidated financial statements were authorized for filing by the Board of Directors on April 16, 2015.

**b) Basis of presentation**

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. These consolidated financial statements have been prepared using accrual basis of accounting, except for cash flow information.

All dollar amounts presented are in Canadian dollars unless otherwise specified. In addition, there may be minor differences due to rounding of numbers.

**c) Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its 100% controlled subsidiary, Thunderbird Biomedical Inc.

Intercompany transactions and balances between the Company and its subsidiary are eliminated in full on consolidation.

**d) Significant accounting judgments and estimates**

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

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Significant estimates are estimates and assumptions about the future and other sources of estimation uncertainty that management has made, that could result in a material adjustment to the carrying amounts of assets and liabilities. Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, the following:

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013**

**(Expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Provisions and contingencies

The amount recognized as a provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assess its liabilities and contingencies based upon the best information available.

Inputs used in determining the estimated fair values of options and warrants issued during the year

The Company has an equity-settled share-based compensation plan for directors, officers and consultants. Services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options are estimated using Black-Scholes model on the date of grant based on certain assumptions. Those assumptions are described in Note 11 and include, among others, expected volatility, expected life of the options and number of options expected to vest.

Estimated useful lives of plant and equipment

The Company makes estimates and utilizes assumptions in determining the useful lives of plant and equipment and related amortization. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of certain assets.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013**

**(Expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Going concern

The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

Impairment of plant and equipment

Management considers both external and internal sources of information in determining if there are any indications that the Company's plant and equipment are impaired. Management considers the market, economic, and legal environment in which the Company operates that are not within its control and affect the recoverable amount of its plant and equipment. Management considers the manner in which the plant and equipment are being used or are expected to be used, and indication of economic performance of the assets.

**e) Cash and cash equivalents**

Cash and cash equivalents include cash and short term deposits held at major financial institutions with an original maturity of three months or less, but exclude any restricted cash that is not available for use by the Company.

**f) Plant and equipment**

Plant and equipment is carried at cost less accumulated amortization. Plant and equipment are amortized annually at the following rates:

- Leasehold improvements – 10 years straight line
- Plant and equipment – 30% declining balance

In the year of acquisition, amortization for plant and equipment is recorded at one-half the normal rate.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013**

**(Expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

When an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Residual values and estimated useful lives are reviewed at least annually.

**g) 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.

**h) 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.

**i) Income taxes**

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

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, 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 end of the reporting period. 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.

**j) Loss per share**

Basic loss per share is computed by dividing net loss for the year by the weighted average number of common shares outstanding during the year. The Corporation uses the treasury stock method for calculating diluted loss per share.

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013**

**(Expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**k) Segment reporting**

The Company has one reportable operating segment of production of medical marijuana pursuant to the Marijuana for Medical Purposes Regulations.

**l) Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception; whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to the Company substantially all the risk and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in profit or loss on a straight-line basis over the lease term.

**m) Foreign exchange**

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013**

**(Expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**n) Financial instruments**

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. Cash has been classified under this category.

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. Accounts receivable has been classified under this category.

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 are classified 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 event 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.

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. Accounts payable and accrued liabilities, due to shareholders and note payable have been classified under this category.

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013**

**(Expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**o) Impairment of non-financial assets**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If 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 profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

**p) Share-based payments**

The Company grants share options to purchase common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for a period of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than closing market price on the day the options were granted.

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

No expense is recognized for awards that do not ultimately vest except for equity settled transactions for which vesting is conditional upon a market or non-vesting condition.

Share options with a graded vesting schedule are accounted for as separate grants with different vesting periods and fair values. The fair value is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share purchase options were granted.

Where the terms of an equity settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increase the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity award is cancelled, it is treated as if it vests on the date of the cancellation and any expense not recognized for the award is recognized immediately.



**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013**

**(Expressed in Canadian dollars)**

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**4. NEW ACCOUNTING PRONOUNCEMENTS**

The Company has adopted the following accounting standards which became effective on January 1, 2014.

IAS 32 – Financial Instruments Presentation

IAS 32 clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

IFRIC 21 Levies

IFRIC 21, an interpretation of IAS 37 – Provision, Contingent Liabilities and Contingent Assets, on the accounting for levies imposed by government. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“obligation event”). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

IAS 36 – Impairment of Assets

IAS 36 clarifies the requirement to disclose information about the recoverable amount of assets for which an impairment loss has been recognized or reversed.

The above amendments do not have significant impacts on the Company’s financial position or performance.

Standards issued but not yet effective up to date of issuance of the Company’s financial statements are listed below. The Company has not yet assessed the impact of these new standards on disclosures, financial position or performance when applied at a future date. The Company intends to adopt those standards when they become effective.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosure about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**(Expressed in Canadian dollars)**

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**4. NEW ACCOUNTING PRONOUNCEMENTS (continued)**

IFRS 9 – Financial Instruments

IFRS 9 replaces the guidance in IAS 39 - Financial Instruments; Recognition and Measurement, on the classification and measurement of financial assets. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition, financial assets measured at amortized cost or financial assets measured at fair value. Gains and losses on re-measurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

**5. ACCOUNTS RECEIVABLE**

The accounts receivable as at December 31, 2014 \$42,548 (2013 – \$nil) primarily consisted of Goods and Service Tax (“GST”) receivable from the Canada Revenue Agency.

**6. PREPAID EXPENSES**

The prepaid expenses as at December 31, 2014 \$70,888 (2013 – \$nil) primarily consisted of prepaid rent and utility deposits.

**7. OTHER ASSETS**

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	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Dried marihuana	\$ 6,595	\$ -

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Other assets consist of the Company’s products available to sell to the public when the Company obtains the authorization to sell from Health Canada.

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013****(Expressed in Canadian dollars)****8. PLANT AND EQUIPMENT**

	<b>Leasehold improvements</b>	<b>Equipment</b>	<b>Total</b>
<b>Cost</b>			
Balance, December 31, 2012	\$ -	\$ -	\$ -
Additions	-	4,641	4,641
Balance, December 31, 2013	-	4,641	4,641
Additions	148,363	70,588	218,951
Balance, December 31, 2014	\$ 148,363	\$ 75,229	\$ 223,592
<b>Accumulated amortization</b>			
Balance, December 31, 2012	\$ -	\$ -	\$ -
Additions	-	696	696
Balance, December 31, 2013	-	696	696
Additions	8,520	11,668	20,188
Balance, December 31, 2014	\$ 8,520	\$ 12,364	\$ 20,884
<b>Net book value</b>			
<b>At December 31, 2013</b>	<b>\$ -</b>	<b>\$ 3,945</b>	<b>\$ 3,945</b>
<b>At December 31, 2014</b>	<b>\$ 139,843</b>	<b>\$ 62,865</b>	<b>\$ 202,708</b>

**9. RELATED PARTY TRANSACTIONS**

The balances due to the shareholders and related parties are unsecured, non-interest bearing and have no specific terms of repayment.

During the year ended December 31, 2014, the Company's wholly owned subsidiary, acquired certain equipment attached to the leased premises from a related entity controlled by the then CEO at fair market value in the amount of \$27,841.

A director was engaged to provide consulting services to the Company from May 2014 until August 2015. The total expense for the year ended December 31, 2014 was \$31,370.

During the year ended December 31, 2014, \$2,330 was paid to a company wholly owned by the then CFO for accounting services.

During the year ended December 31, 2014, the Company borrowed loans from two of its senior management of \$5,500 and \$1,000 respectively. These loans are non-interest bearing.

The Company also borrowed funds from a director and the spouse of a shareholder of \$5,000 each. These loans were interest bearing at 15% per annum. The Company paid off the two interest-bearing loans as at December 31, 2014.

The Company also paid bonuses of \$10,000 to two of its senior officers for performance.

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013**

**(Expressed in Canadian dollars)**

**9. RELATED PARTY TRANSACTIONS (continued)**

Remuneration of directors and key management of the Company

The remuneration awarded to directors and to senior key management including the Chief Executive Officer, the Chief Financial Officer, and the President, includes the following:

	<b>Years ended December 31, 2014</b>	<b>Inception date January 28, 2013 to December 31, 2013</b>
Short-term benefits	3,400	\$ -
Termination benefits	-	-
Share-based payments (Note 11)	379,698	-
<b>Total compensation of key management personnel</b>	<b>\$ 383,098</b>	<b>\$ -</b>

These transactions are in the normal course of the operations on normal commercial terms and conditions and at market rates, which is the amount of consideration established and agreed to by the related parties.

**10. NOTE PAYABLE**

The note payable bore interest at 15% per annum and was repayable at the earlier of 12 months or receipt by the company of gross investment proceeds of \$400,000 or more. The note payable was repaid in July 2014.

**11. SHARE CAPITAL**

*Authorized*

Unlimited number of Common Voting shares without par value

*Issued*

46,070,841 Common voting shares (2013 – 10,000,000)

On April 28, 2014, the Company issued 1,578,750 common shares from treasury at a price of \$0.000003 per share for total cash proceeds of \$5. The fair value of these shares was \$252,600; therefore, stock based compensation of \$252,595 was recorded for the difference between the fair value and cash consideration paid. The fair value of these shares was determined using the financing of 3,750,264 common shares sold at a price of \$0.16 per share on May 2, 2014.

On May 2, 2014, the Company issued 3,750,264 common shares from treasury at a price of \$0.16 per share for total cash proceeds of \$600,042.

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013**

**(Expressed in Canadian dollars)**

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**11. SHARE CAPITAL (continued)**

On September 4, 2014, upon completion of the Transaction, the Company issued 36,565,529 shares to acquire all of the outstanding shares of Thunderbird. Concurrent with the Transaction, the Company affected a consolidation of its share capital on a 15 (old) for 1 (new) basis. Also concurrent with the Transaction the Company also issued 2,005,312 shares to former shareholders of Firebird. All references to common shares in these financial statements reflect the share consolidation.

On September 4, 2014, the Company closed a private placement by issuing 7,500,000 units at a price of \$0.40 per unit for gross proceeds of \$3,000,000. Each unit comprises one common share and one half of one common share purchase warrant, with each whole warrant being exercisable into one share at an exercise price of \$0.80 until September 4, 2015. The fair value of the warrants included in the units was estimated to be \$0.13 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 1.12%, expected volatility of 117.05%, an expected life of 1 year and no expected dividends. The Company also issued 525,000 finder's warrants, with each whole warrant being exercisable into one share at an exercise price of \$0.40 until September 4, 2015. The fair value of finder's warrants was estimated to be \$0.21 using the Black-Scholes option pricing model using the following assumptions: risk free interest rate of 1.12%, expected volatility of 117.05%, an expected life of 1 year and no expected dividends.

**Surplus and Value Escrow Agreements**

On September 4, 2014, concurrent with the Transaction, the Company entered into a Surplus Security Escrow Agreement and a Value Security Escrow Agreement. The Agreements were entered into under Exchange Policy 5.4 *Escrow, Vendor Consideration and Resale Restrictions* in connection with a Reverse Takeover.

Approximately 58.9% of the common shares were subject to the Surplus Security Escrow Agreement and are releasable in tranches of 5% upon the date of completion of the private placement financing ("Closing"), 5% six months from the date of Closing, 10% 12 months from the date of Closing, 10% 18 months from the date of Closing, 15% 24 months from the date of Closing, 15% 30 months from the date of Closing and 40% 36 months from the date of Closing, subject to the condition that no common shares shall be released from escrow until the Company has received an amended license from Health Canada permitting sale of medical marijuana. None of the common shares held under the Surplus Security Escrow Agreement were released during 2014.

Approximately 11% of the common shares were subject to the Value Security Escrow Agreement and are releasable in tranches of 10% upon the date of completion of the private placement financing ("Closing"), 15% six months from the date of Closing, 15% 12 months from the date of Closing, 15% 18 months from the date of Closing, 15% 24 months from the date of Closing, 15% 30 months from the date of Closing and 15% 36 months from the date of Closing. 10% of the common shares held under the Value Security Escrow Agreement were released during 2014.

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013****(Expressed in Canadian dollars)****11. SHARE CAPITAL (continued)****Warrants**

As at December 31, 2014, the Company had warrants outstanding enabling holders to acquire the following:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
3,750,000	\$0.80	September 4, 2015
25,000	\$0.40	September 4, 2015
<b>4,275,000</b>		

**Share based payments**

The Company has adopted a Stock Option Plan (the "Plan") in compliance with the Policies of the TSX Venture Exchange. The maximum number of stock options available under the Plan is equal to 10% of the outstanding shares of the Company from time to time. Pursuant to the Plan, the maximum number of common shares reserved for issuance in any 12-month period to any one optionee other than a consultant may not exceed 5% of the issued and outstanding common shares at the date of the grant. The maximum number of common shares reserved for issuance in any 12-month period to any consultant may not exceed 2% of the issued and outstanding common shares at the date of the grant and the maximum number of common shares reserved for issuance in any 12-month period to all persons engaged in investor relations activities may not exceed 2% of the issued and outstanding number of common shares at the date of the grant.

On September 4, 2014, the Company granted 2,050,000 stock options at an exercise price of \$0.40 to its employees and directors with an expiry date of September 4, 2019. 900,000 options vested immediately, 500,000 options will vest over 24 months and 650,000 options will vest over 36 months.

Also on September 4, 2014, the Company granted 300,000 to a consultant engaged in investor relations activities at an exercise price of \$0.75 with an expiry date of September 4, 2019, of which 15,000 vested immediately, and 45,000 stock options will be vested each quarter thereafter (Note 13 and 19).

On December 1, 2014, the Company granted 600,000 stock options at an exercise price of \$0.55 to an employee with an expiry date of December 1, 2019, vesting over 36 months.

Altogether, the Company granted 2,950,000 options in the year ended December 31, 2014.

A summary of the Company's stock options as at December 31, 2014 is presented below:

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term (Years)</b>
Balance at December 31, 2013	-	-	-
Granted, outstanding and exercisable	1,338,296	\$0.44	4.68
Balance at December 31, 2014	1,338,296	\$0.44	4.68

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013****(Expressed in Canadian dollars)**

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**11. SHARE CAPITAL (continued)**

During the year ended December 31, 2014, stock based compensation has been recorded in the amount of \$475,899 (2013 – \$nil).

The fair values of the options granted during the year were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>Grant on September 4, 2014</b>	<b>Grant on December 1, 2014</b>
Number of share options granted	2,350,000	600,000
Exercise price	\$0.40 & \$0.75	\$0.55
Market value on grant date	\$0.45	\$0.55
Risk free interest rate	1.60%	1.34%
Expected life	5 years	5 years
Annualized volatility	108%	105%
Forfeiture rate	Nil	Nil
Expected dividends	Nil	Nil

**12. COMMITMENTS**

On January 1, 2014, Thunderbird assumed a lease for premises to conduct its operations, for the period January 1, 2014 to May 31, 2014. The Company renegotiated the lease at \$4,750 plus GST per month for an initial term from June 1, 2014 to May 31, 2019 with an option to renew for an additional 2, five year terms.

On September 1, 2014 the Company signed a lease for expansion premises to conduct its operations for an initial month-to-month period from November 1, 2014 to April 30, 2015, a second period from May 1, 2015 to October 31, 2015 and a third period from November 1, 2015 to October 31, 2019. There is an option to renew for an additional 2, five year terms and an option to purchase the land and building during the period November 1, 2014 to October 31, 2017. Basic rent for the initial month-to-month lease period is \$26,552 per month plus additional rent of \$9,221 per month starting November 1, 2014 to cover operating costs. The lease can be terminated any time with advance notice in the initial month-to-month period.

On September 1, 2014, the Company retained an investor relations consulting firm to provide investor relations services on behalf of the Company. The Agreement is for a term of eighteen months and may be terminated by either party by giving 90 days' written notice of such termination. The Company will pay a monthly retainer fee of \$7,500 plus GST and any reasonable pre-approved expenses incurred on behalf of the Company.

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013****(Expressed in Canadian dollars)****12. COMMITMENTS (continued)**

A director was engaged to provide consulting services to the Company at \$5,000 plus GST per month from September 1, 2014 to August 31, 2015.

	<b>Total</b>	<b>2015</b>	<b>2016</b>	<b>Due by year ending</b>		
				<b>2017</b>	<b>2018</b>	<b>2019 and thereafter</b>
Production facilities	\$ 251,750	\$ 57,000	\$57,000	\$57,000	\$57,000	\$23,750
Investor relations	105,000	90,000	15,000	-	-	-
Consulting services	40,000	40,000	-	-	-	-
	<b>\$ 396,750</b>	<b>\$187,000</b>	<b>\$72,000</b>	<b>\$57,000</b>	<b>\$57,000</b>	<b>\$23,750</b>

**13. FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosure in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at December 31, 2014 and 2013, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

	<b>December 31, 2014</b>		<b>December 31, 2013</b>	
	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>
<b>Financial Assets</b>				
FVTPL:				
Cash and cash equivalents	\$1,718,795	\$1,718,795	\$ 1	\$ 1
Loans and accounts, recorded at amortized cost:				
Accounts receivable	42,548	42,548	-	-
<b>Financial Liabilities</b>				
Other financial liabilities, recorded at amortized cost:				
Accounts payable and accrued liabilities	114,009	114,009	5,500	5,500
Due to Related Parties	19,851	19,851	5,088	5,088



**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013**

**(Expressed in Canadian dollars)**

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**13. FINANCIAL INSTRUMENTS (continued)**

Fair value hierarchy financial instruments recorded at fair value at the statement of financial position dates are classified using the fair value hierarchy, which 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 or indirectly.

Level 3 – Valuation techniques using inputs for the asset or liability that are not based on observable market data.

The carrying value of the cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities approximates the fair value because of the short-term nature of these instruments.

The Company's financial instruments that must be recorded at fair value are presented in the following table:

	Carrying Value	Fair Value Measurement		
		Level 1	Level 2	Level 3
As at December 31, 2014				
Financial Assets				
Cash and cash equivalents	\$ 1,718,795	\$ 1,718,795	-	-
As at December 31, 2013				
Financial Assets				
Cash and cash equivalents	\$ 1	\$ 1	-	-

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company has not hedged its exposure to currency fluctuations. As a result, the Company's exposure to foreign currency risk is minimal.

Credit risk

The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company's maximum exposure to credit risk as at December 31, 2014 is the carrying value of its financial assets.

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**

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**13. FINANCIAL INSTRUMENTS (continued)**

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. As at December 31, 2014, the Company had positive working capital of \$1,704,966. Accordingly, the Company is able to meet its current obligations and has minimal liquidity risk. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

**14. CAPITAL MANAGEMENT**

The Corporation's objective when managing its capital is to ensure sufficient equity financing to fund its planned operations in a way that maximizes the shareholder return given the assumed risks of its operations. The Corporation considers shareholders' equity as capital. Through the ongoing management of its capital, the Corporation will modify the structure of its capital based on changing economic conditions. In doing so, the Corporation may issue new shares. Annual budgeting is the primary tool used to manage the Corporation's capital. Updates are made as necessary to both capital expenditure and operational budgets in order to adapt to changes in risk factors, proposed expenditure programs and market conditions.

**15. INCOME TAXES**

As the Company has recorded a net loss for accounting and income tax purposes in both 2014 and 2013, no current income tax expense has been recorded in these financial statements.

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013****(Expressed in Canadian dollars)****15. INCOME TAXES (continued)**

The income taxes shown in the Statements of Loss and Comprehensive Loss differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

	<b>2014</b>	<b>2013</b>
Statutory tax rate	26%	26%
Loss for the year before income taxes	\$(2,645,105)	\$ (14,660)
Expected income tax recovery	(687,727)	(3,812)
Non-deductible items	431,051	321
Unrecognized deductible temporary differences	256,677	3,491
Deferred income tax expense	\$ -	\$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax assets (liabilities) at December 31, 2014 and 2013 are comprised of the following:

	<b>2014</b>	<b>2013</b>
Non-capital loss carry-forwards	307,773	13,424
Equipment	3,215	181
Leasehold Improvements	2,215	-
Share Issue Costs	(10,296)	-
	302,907	13,605
Valuation allowance	(302,907)	(13,605)
Net deferred tax assets	\$ -	\$ -

The Company has operating losses carry forward of approximately \$1,000,000 (2013 - \$13,000) at December 31, 2014 which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expire years	\$
2032	13,000
2034	987,000
	<u>1,000,000</u>

**16. SEGMENTED INFORMATION**

The Company has one reportable operating segment of production of medical marijuana pursuant to the Marijuana for Medical Purposes Regulations. As at December 31, 2014 and 2013, all of the Company's operations and assets were in Canada.

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**17. RECLASSIFICATIONS**

Certain amounts in the prior years' financial statements have been reclassified to conform to the current period presentation.

**18. SUBSEQUENT EVENTS**

a) License extension

On February 5, 2014, Thunderbird was issued a Medical Marihuana Production license by Health Canada pursuant to the Marihuana for Medical Purposes Regulations and the Controlled Drugs and Substances Act. The license was subsequently extended and is currently valid until May 6, 2015.

b) Escrow transfer

In March 2015, the Company, together with certain of its shareholders, entered into an agreement with Medna Biosciences Inc. ("Medna") whereby Medna will acquire (the "Escrow Transfer") a total of 20,156,790 common shares of the Company (45% of the Company's issued shares) from five of its founding shareholders, including its former CEO and CFO, at a price of \$0.21 per share. 17,906,790 of these shares are currently held in escrow and will be transferred within escrow and remain bound by those terms and conditions. The Escrow Transfer has been approved by the TSX Venture Exchange. Three representatives from Medna will join the Board of Directors while three existing directors will step down.

The incoming directors will be granted a total of 1,500,000 options exercisable at the market closing price. The option grant is subject to the closing of the Escrow Transfer and TSX Venture Exchange approval.

c) CEO

Subsequent to the reporting date, the CEO stepped down and was replaced by the President and COO. The CEO will continue to provide consulting services to the company for a period of twelve months from February 1, 2015 to January 31, 2016 for \$10,000 per month. Stock options held by the CEO are exercisable until the end of the consulting period.

d) Stock options issuance

Subsequent to the reporting date, 350,000 stock options at an exercise price of \$0.41 vesting over 36 months with a five-year term were granted to an employee.

e) Stock options amendment

Subsequent to the reporting date, the Company amended the stock option grant for the investor relations consultant, reducing the stock options granted from 300,000 to 150,000. All terms of the stock option grant remain the same.

**T-BIRD PHARMA INC. (FORMERLY FIREBIRD ENERGY INC.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2014 and the period from date of incorporation January 28, 2013 to December 31, 2013**

**(Expressed in Canadian dollars)**

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**18. SUBSEQUENT EVENTS (continued)**

f) Rezoning approval

Subsequent to the reporting date, the Company received notice from The Corporation of the District of Saanich confirming the final rezoning approval of the Company's premises which now allows for commercial distribution of medical marijuana under the MMPR.