THELON CAPITAL LTD.

Condensed Interim Financial Statements

For the Three Months Ended December 31, 2014

(Expressed in Canadian Dollars)

(Unaudited)

THELON CAPITAL LTD.

Condensed Interim Financial Statements

Notice to Readers

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

The accompanying unaudited condensed interim financial statements of Thelon Capital Ltd. for the three months ended December 31, 2014 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these condensed interim financial statements.

THELON CAPITAL LTD.

Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

As at	(Unaudited) December 31 2014	(Audited) September 30 2014
Assets		
Current		
Cash	$ 285,797	$ 238,680
Amounts receivable	145	90
Goods and services tax receivable	5,088	6,077
Investments held for sale (note 4)	9,450	18,900
Advances to related parties (note 11)	101,132	90,132
Prepaid expenses and deposits (note 5)	42,903	237,903
	444,515	591,782
Non-current		
Equipment (note 6)	743	796
Mineral interests (note 7)	-	2,077
	743	2,873
	$ 445,258	$ 594,655
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 165,057	$ 168,723
Promissory notes payable (notes 8 and 11)	27,000	27,000
Advances from related parties (note 11)	100,010	272,879
	292,067	468,602
Long Term		
Promissory notes payable (notes 8 and 11)	361,437	180,944
	653,504	649,546
Shareholders' Equity (Deficiency)		
Share capital (note 9)	22,953,224	22,945,299
Reserves	738,250	731,000
Accumulated deficit	(23,899,720)	(23,731,190)
	(208,246)	(54,891)
	$ 445,258	$ 594,655

Nature and continuance of operations (note 1)
Subsequent events (note 15)

These condensed interim financial statements were authorized for issue by the Board of Directors on February 27, 2015. They are signed on the Company's behalf by:

"Jason Walsh" Director

"Geoff Watson" Director

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

THELON CAPITAL LTD.

Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	(Unaudited) For the quarter ended December 31 2014	December 31 2013
Administrative expenses		
Advertising and promotion	**$ 21,603**	$ 7,906
Bank charges and interest	**5,594**	7,637
Consulting (note 11)	**31,600**	39,500
Depreciation	**53**	73
Director fees (note 11)	**-**	6,000
Finance costs (note 8)	**7,925**	-
Legal and accounting	**47,086**	5,001
Office and administration (note 11)	**13,813**	15,216
Share-based compensation	**7,250**	-
Shareholder relations	**52**	-
Telephone	**2,220**	382
Transfer agent and exchange fees	**1,313**	4,806
Travel	**18,328**	490
Loss before other items	**(156,837)**	(87,011)
Other revenue (expense) items		
Accounts payable and accrued liabilities reversed	**-**	37,539
Foreign exchange loss	**(1,221)**	(353)
Gain on sale of investment	**999**	-
Gain on sale of mineral interest	**57,923**	-
Interest income	**56**	55
Unrealized gain (loss) on investments held for sale (note 4)	**(9,450)**	12,600
	48,307	49,841
Net and comprehensive loss for the period	**$ (108,530)**	$ (37,170)
Basic and diluted loss per share	**$ (0.01)**	$ (0.00)
Weighted average number of shares outstanding	**18,698,374**	15,537,050

The accompanying notes are an integral part of these Condensed Interim Financial Statements.

THELON CAPITAL LTD.

Condensed Interim Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

				Reserves				
	Number of Shares	Share Capital	Share Subscriptions Receivable	Share-Based Payment Reserve	Warrant Reserve	Total	Deficit	(Unaudited) Total Equity
Balance at September 30, 2014	18,698,374	$ 22,945,299	$ -	$ 731,000	$ -	$ 731,000	$ (23,731,190)	$ (54,891)
Share-based compensation	-	-	-	7,250	-	7,250	-	7,250
Shares of subsidiary distributed to shareholders on a pro rata basis (note 7)	-	-	-	-	-	-	(60,000)	(60,000)
Shares to be issued	-	7,925	-	-	-	-	-	7,925
Loss for the period	-	-	-	-	-	-	(108,530)	(108,530)
Balance at December 31, 2014	**18,698,374**	**$ 22,953,224**	**$ -**	**$ 738,250**	**$ -**	**$ 738,250**	**$ (23,899,720)**	**$ (208,246)**
Balance at September 30, 2013	15,556,708	$ 22,052,799	$ (127,636)	$ -	$ -	$ -	$ (22,413,550)	$ (488,387)
Shares cancelled for non-payment	(25,000)	(37,500)	37,500	-	-	-	-	-
Subscriptions received	-	-	10,000	-	-	-	-	10,000
Loss for the period	-	-	-	-	-	-	(37,170)	(37,170)
Balance at December 31, 2013	15,531,708	$ 22,015,299	$ (80,136)	$ -	$ -	$ -	$ (22,450,720)	$ (515,557)

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

THELON CAPITAL LTD.

Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	(Unaudited) For the quarter ended December 31 2014	December 31 2013
Cash provided by (used for)		
Operating activities		
Net loss for the period	**$ (108,530)**	$ (37,170)
Add items not affecting cash		
Accounts payable and accrued liabilities reversed	**-**	(37,539)
Depreciation	**53**	73
Finance costs to be paid with shares	**7,925**	-
Foreign exchange loss	**1,221**	353
Gain on sale of investment	**(999)**	-
Gain on sale of mineral interest	**(57,923)**	-
Interest	**5,356**	-
Share-based compensation	**7,250**	-
Unrealized loss on investments held for sale	**9,450**	(12,600)
	(136,197)	(86,883)
Net change in non-cash working capital	**(9,433)**	(6,754)
	(145,630)	(93,637)
Financing activities		
Advances from related parties	**4,968**	33,344
Issuance (repayment) of promissory notes payable	**-**	(3,500)
Share subscriptions (receivable) received	**-**	10,000
	4,968	39,844
Investing activities		
Advances to related parties	**(11,000)**	17,169
Deposit returned	**200,000**	-
	189,000	17,169
Effect of foreign exchange translation on cash	**(1,221)**	(353)
Net increase (decrease) in cash	**47,117**	(36,977)
Cash, beginning of period	**238,680**	47,528
Cash, end of period	**$ 285,797**	$ 10,551

Supplemental cash flow disclosure (note 13)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Thelon Capital Ltd. (the "Company") is a public company incorporated under the Company Act of British Columbia on February 2, 1982. The Company traded on the TSX Venture Exchange from February 4, 2010 until December 22, 2014 when the Company requested the Company's common shares be delisted. The Company has begun a listing application on the Canadian Securities Exchange ("CSE"). The Company also consolidated its share capital on a six old for one new basis on December 23, 2014. All references to share and per share amounts in these condensed interim financial statements have been adjusted to reflect the share consolidation on a retrospective basis.

The Company's principal business activity is currently the acquisition and exploration of mineral properties.

The Company's corporate office and principal place of business is at Suite 1500 – 888 Dunsmuir Street, Vancouver, British Columbia, Canada, V6C 3K4.

The Company is an exploration stage company with respect to its mineral interests. Based on the information available to date, the Company has not yet determined whether its mineral interests contain economically recoverable reserves. The recoverability of the amounts shown for mineral interests is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development, and upon future profitable production or disposition thereof.

On April 16, 2014, the Company announced that it entered into a Memorandum of Understanding with Canadian Mining Company Inc. (CNG-TSX.V) to test zeolite in the growing of medical marijuana. The Company will have an option to earn up to a 50% interest in the Sun Group Zeolite Project in Princeton, British Columbia.

On December 18, 2014, the Company entered into a Plan of Arrangement with Thelon Diamonds Ltd. and Thelon Diamond Company Limited, companies with common directors. Pursuant to the transaction, Thelon Diamond Company Limited acquired all of the issued and outstanding shares of Thelon Diamonds Ltd. for consideration of $1,000. The Company then transferred its interest in a diamond mining joint venture with Peregrine Diamonds to Thelon Diamonds Ltd. for 2,260,000 common shares of Thelon Diamond Company Limited which were distributed to the shareholders of the Company.

On January 14, 2015, the Company entered into a Share Exchange Agreement between the Company, THC Meds Inc. and T.H.C. Medical Systems Ltd., (collectively the "Target Companies") and the shareholders of the Target Companies which results in a Reverse Take-Over transaction for accounting purposes. Pursuant to the agreement, 44,612,736 common shares of the Company were issued on January 14, 2015 at $0.045 per share to represent an approximate price of $2,007,572 and on January 22, 2015, 12,363,510 common shares of the Company were issued at $0.045 to represent an approximate price of $556,358. There are an additional 26,823,751 shares that may be issued to the former shareholders of the Target Companies: 16,600,000 common shares of the Company are to be released in the event a license pursuant to Canada's *Marihuana for Medical Purposes Regulations* ("MMPR") is received by one of the two subsidiaries; and 10,233,751 common shares of the Company to be released pending the removal of certain potential liabilities of the Target Companies.

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

These condensed interim financial statements have been prepared 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. The continuing operations of the Company are dependent upon its ability to raise adequate financing to develop its mineral interests, and to commence profitable operations in the future. To date the Company has not generated any revenues and is considered to be in the exploration stage. These factors create material uncertainty that cast significant doubt about the Company being able to continue as a going concern. These condensed interim 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. Further discussion of liquidity risk has been disclosed in Note 14c.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. BASIS OF PREPARATION

a) Basis of presentation

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS34") as issued by the International Accounting Standards Board ("IASB") using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These condensed interim financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

b) Foreign currencies

i) Presentation and functional currency

The presentation and functional currency of the Company is the Canadian Dollar.

ii) Foreign currency transactions

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Foreign exchange differences are recognized in the statement of comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. BASIS OF PREPARATION (continued)

c) Significant accounting judgments and estimates

The preparation of the financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of the financial statements also requires management to exercise judgment in the process of applying the accounting policies.

i) Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

(a) Impairment of non-financial assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the asset and a suitable discount rate in order to calculate present value. For the three months ended December 31, 2014, impairments of non-financial assets were $Nil (September 30, 2014 – $Nil).

(b) Share-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's statements of comprehensive loss. For the three months ended December 31, 2014, the Company recognized share-based compensation expense of $7,250 (December 31, 2013 - $Nil).

ii) Critical judgments used in applying accounting policies

In the preparation of these financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the financial statements:

(a) Mineral Interests

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral interests. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from mineral interests under exploration and subject to different accounting treatment. As at December 31, 2014 and September 30, 2014, management had determined that no reclassification of mineral interests was required.

2. BASIS OF PREPARATION (continued)

c) Significant accounting judgments and estimates (continued)

ii) Critical judgments used in applying accounting policies (continued)

(b) Income taxes

The measurement of deferred income tax assets requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the audited annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

Financial assets and financial liabilities are recognized in the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

i) Financial assets

The Company classifies its financial assets into categories, at initial recognition, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

(a) Fair value through profit or loss

This category comprises derivatives or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value, with changes in fair value recognized in profit or loss in the statement of comprehensive loss. Investments held for sale are classified as a fair value through profit and loss financial asset.

(b) 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 rate method less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company has classified cash, amounts receivable, advances to related parties, and deposits as loans and receivables.

(c) 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 rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

i) Financial assets (continued)

(c) Held-to-maturity investments (continued)

If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss. The Company has not classified any financial assets as held-to-maturity investments.

(d) 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 directly in other comprehensive income or loss ("OCI"). 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 OCI and recognized in the statement of comprehensive loss. The Company has not classified any assets as an available-for-sale asset.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those 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 any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

(a) Fair value through profit or loss

This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value, with changes in fair value recognized in the statements of comprehensive loss. The Company has not classified any financial liabilities as fair value through profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

ii) Financial liabilities (continued)

(b) Other financial liabilities

This category includes accounts payable and accrued liabilities which are recognized at amortized cost using the effective interest rate method. The Company has classified accounts payable and accrued liabilities, promissory notes payable, and advances from related parties as other financial liabilities.

b) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position is comprised of cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

c) Mineral interests

The Company is in the exploration stage with respect to its investment in mineral interests. Acquisition costs for mineral interests, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration and the value of common shares, based on recent issue prices, issued for mineral interests pursuant to the terms of the agreement. Exploration expenditures, net of recoveries, are capitalized. After a property is determined by management to be commercially feasible, acquisition costs and deferred expenditures on the property will be transferred to property, plant, and equipment as mine and mill costs. Prior to transfer, the assets will be tested for impairment.

The costs related to a property from which there is production, will be depleted and amortized using the unit-of-production method.

A mineral interest acquired under an option agreement where payments are made at the sole discretion of the Company is capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral interest until the payments are in excess of acquisition costs, at which time they are then credited to operations. Option payments are at the discretion of the optionee; accordingly, they are accounted for when receipt is reasonably assured.

Capitalized costs are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management’s estimate of their net recoverable amount.

The recoverability of the carrying amount of mineral interests is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Equipment are depreciated annually at the following rates using the declining-balance method when the asset becomes available for use, and in the year of acquisition, only one-half of normal rates are used:

Furniture and fixtures	20%
Computer equipment	30%

An item of 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 the statement of comprehensive loss.

Where an item of 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.

e) Impairment

At each financial position reporting date, the carrying amounts of the Company's long lived 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. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's 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 assessment of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit 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 statement of comprehensive loss.

Where 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 so that the increased carrying amount 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 the statement of comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Share capital

i) Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

ii) Equity units

Proceeds received on the issuance of units comprised of common shares and warrants are allocated on the residual value method where proceeds are allocated to the common shares up to their fair value as determined by the current quoted trading price of the announcement date, and the balance, if any, to the reserve for the warrants.

iii) Non-monetary consideration

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

g) Share-based compensation

The share option plan allows Company employees and consultants to acquire shares of the Company. 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 (a direct employee) or provides services similar to those performed by a direct employee (a consultant). The fair value is measured at grant date and recognized over the period during which the options vest.

The fair value of the options granted to employees is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. 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.

The fair value of share options granted to non-employees is recognized as an expense in the statement of comprehensive loss and is recorded at the fair value of the services received, unless they are related to the issuance of shares. The amount related to the issuance of shares is recorded as a reduction of share capital.

When the value of services received in exchange for the share-based compensation cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Share-based compensation (continued)

All share-based compensation is reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

h) Equity reserves

Where share options or warrants expire or are cancelled, the fair value previously recognized is transferred from the equity reserve to accumulated deficit.

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

j) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

An obligation to incur restoration, rehabilitation, and environmental costs arises when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the legal or constructive obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount, or timing of the underlying cash flows needed to settle the obligation.

The Company has no material restoration, rehabilitation, and environmental costs as the disturbance to date is minimal.

k) Income taxes

Income tax on the profit or loss for the years 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 as equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Income taxes (continued)

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

Deferred tax is provided using the statement of financial position 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. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities in a transaction that is not a business combination and 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 statement of financial position date.

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.

l) Segment reporting

The Company operates in a single reportable segment being the acquisition, exploration, and development of mineral interests.

m) New accounting standards and interpretations not yet adopted

The following accounting pronouncement has been released but has not yet been adopted by the Company:

IFRS 9 *Financial Instruments*

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 *Financial Instruments* (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) New accounting standards and interpretations not yet adopted (continued)

be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's financial statements.

4. INVESTMENTS HELD FOR SALE

Number of Shares		December 31, 2014 Cost	December 31, 2014 FMV	September 30, 2014 Cost	September 30, 2014 FMV
315,000	Zadar Ventures Ltd.	**$ 81,900**	**$ 9,450**	$ 81,900	$ 18,900

On September 25, 2013, the Company sold its 18% interest in the Pasfield Lake property which was part of the Athabasca Basin property which was previously written down, to Zadar Ventures Ltd., a company with common directors, for gross proceeds of $25,000 cash and 315,000 common shares of Zadar Ventures Ltd. The 315,000 common shares of Zadar Ventures Ltd. were issued to the Company on October 2, 2013.

5. DEPOSITS

On April 16, 2014, the Company announced that it entered into a Memorandum of Understanding with Canadian Mining Company Inc. (CNG-TSX.V) to test zeolite in the growing of medical marijuana. $10,000 cash was advanced upon signing with a six month due diligence period. The agreement was subsequently amended on October 31, 2014 to extend the due diligence date to June 30, 2015.The Company committed to fund the extraction, processing, shipping, and professional costs of testing Canadian Mining Company Inc.'s zeolites in the medical marijuana growing process and in zeoponics to a maximum of $50,000. The Company will have a right of first refusal to earn a 50% interest in the Sun Group Zeolite Project in Princeton, British Columbia for equitable consideration of monies spent on a go forward basis.

6. EQUIPMENT

	Furniture and Fixtures	Computer Equipment	Total
Cost			
Balance at September 30, 2013	$ 9,068	$ 22,357	$ 31,425
Additions	-	-	-
Balance at September 30, 2014	9,068	22,357	31,425
Additions	-	-	-
Balance at December 31, 2014	**$ 9,068**	**$ 22,357**	**$ 31,425**

(Expressed in Canadian Dollars)

6. EQUIPMENT (continued)

	Furniture and Fixtures	Computer Equipment	Total
Accumulated Depreciation			
Balance at September 30, 2013	$ 8,739	$ 21,596	$ 30,335
Depreciation for the year	66	228	294
Balance at September 30, 2014	8,805	21,824	30,629
Depreciation for the period	13	40	53
Balance at December 31, 2014	**$ 8,818**	**$ 21,864**	**$ 30,682**
Carrying Amounts			
At December 31, 2014	**$ 250**	**$ 493**	**$ 743**
At September 30, 2014	$ 263	$ 533	$ 796

7. MINERAL INTERESTS

	September 30 2013	Additions	September 30 2014	Disposals	**December 31 2014**
Acquistion costs					
Lac de Gras, Northwest Territories	$ -	$ -	$ -	$ -	**$ -**
Deferred exploration expeditures					
Lac de Gras, Northwest Territories	-	2,077	2,077	(2,077)	**-**
	$ -	$ 2,077	$ 2,077	$ (2,077)	**$ -**

By agreement dated July 12, 2002, the Company entered into an option agreement to acquire a 100% interest in approximately 48,601 acres located in Lac de Gras, Northwest Territories. Upon commencement of commercial production the optionor will be entitled to a net smelter return royalty of 4% on all minerals, and a gross overriding royalty of 4% on the average appraised value (as defined) of diamonds. Up to 50% of each royalty may be purchased from the optionor in increments of 0.1%, at a cost of $200,000 per increment, for a total cost of $4,000,000 for each royalty.

Consideration is $25,000 on signing and five payments, at six month intervals commencing on May 29, 2003, of $40,000 cash and 200,000 common shares. Total consideration is cash of $225,000 (paid) and 1,000,000 (issued) common shares.

During the year ended September 30, 2004, the Company signed a binding letter of intent with Peregrine Diamonds Ltd. (“Peregrine”), whereby Peregrine can earn up to a 65% interest in all of the Company's mineral properties located in the Northwest Territories by issuing 300,000 (received) treasury shares to the

7. MINERAL INTERESTS (continued)

Company in stages and spending $4.1 million ($100,000 reimbursed to the Company) in a combination of exploration and underlying land payments over a period of five years.

During the year ended September 30, 2008, Peregrine earned its 65% interest in the Company's mineral properties in the Northwest Territories.

During the year ended September 30, 2010, management decided not to continue with these projects and accordingly wrote down the accumulated costs.

During the year ended September 30, 2014, Peregrine issued a cash call notice to the Company for 29.46% being the interest from not participating in prior cash calls. The Company paid the amount of the notice of $2,077 for their 29.46% interest.

On December 18, 2014, the Company entered into a Plan of Arrangement with Thelon Diamonds Ltd. and Thelon Diamond Company Limited, companies with common directors. Pursuant to the transaction, Thelon Diamond Company Limited acquired all of the issued and outstanding shares of Thelon Diamonds Ltd. for consideration of $1,000. The Company then transferred its interest in the Lac de Gras diamond mining joint venture with Peregrine Diamonds to Thelon Diamonds Ltd. for 2,260,000 common shares of Thelon Diamond Company Limited which were distributed to the shareholders of the Company.

8. PROMISSORY NOTES PAYABLE

The Company issued a promissory note in the principal amount of up to $155,000 on September 12, 2012 at 25% simple interest with the note and interest due on June 15, 2014. The Company agreed to also issue common shares in such number to have an aggregate value of $37,500 on the day before the date upon which the shares are issued as additional consideration for providing funds to the Company. On August 12, 2014, the note was amended to $107,363 being the outstanding principal of $58,000 plus accrued interest to that date of $49,363. The amended promissory note is due on April 15, 2016 with simple interest at the rate of 25%. At December 31, 2014, accrued interest of $3,655 (September 30, 2014 - $1,231) is included in the amount of the promissory note payable.

The Company issued a promissory note in the principal amount of $12,700 on July 10, 2013 at 25% simple interest with the note and interest due on June 15, 2014. The Company agreed to also issue common shares in such number to have an aggregate value of $3,175 on the day before the date upon which the shares are issued as additional consideration for providing funds to the Company. On October 2, 2014, the note was amended for up to $35,000. The amended promissory note bears is due on June 15, 2015 with simple interest at the rate of 25%. The Company has agreed to also issue common shares in such number to have an aggregate value of $7,925 on the day before the date upon which the shares are issued as additional consideration for providing funds to the Company. At December 31, 2014, the principal amount borrowed against the note is $27,000 (September 30, 2014 - $27,000) and accrued interest of $6,387 (September 30, 2014 - $4,686) is included in accounts payable and accrued liabilities.

The Company issued a promissory note in the principal amount of up to $150,000 on December 31, 2014 to Bua Capital Management Ltd., a private company controlled by a director, Jason Walsh. The note is without interest and due on December 31, 2016. At December 31, 2014, $126,294 (September 30, 2014 – $Nil) is owed against the note.

(Expressed in Canadian Dollars)

8. PROMISSORY NOTES PAYABLE (continued)

The Company issued a promissory note in the principal amount of $74,125 on August 15, 2014 to Thelon Diamond Company Limited, a private company with common directors. The note is without interest and due on January 1, 2016. At December 31, 2014, $72,350 (September 30, 2014 – $72,350) is owed against the note.

The Company issued a promissory note in the principal amount of $30,543 on December 31, 2014 to GRW Inc., a private company controlled by a director, Geoff Watson. The note is without interest and due on December 31, 2016.

The Company issued a promissory note in the principal amount of $20,000 on December 31, 2014 to International Ranger Corp., a public company with common directors. The note is without interest and due on December 31, 2016.

9. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value

Issued:

	Number		Issued Price		Amount
Balance at September 30, 2013	15,556,708	$	-	$	22,052,799
Shares cancelled for non-payment	(41,667)		1.50		(62,500)
Warrants exercised	3,183,333		0.30		955,000
Balance at September 30, 2014	18,698,374	$	-	$	22,945,299
Shares to be issued (note 8)	-		-		7,925
Balance at December 31, 2014	**18,698,374**	**$**	**-**	**$**	**22,953,224**

The Company consolidated its share capital on a six old for one new basis on December 23, 2014. All references to share and per share amounts in these Condensed Interim Financial Statements have been adjusted to reflect the share consolidation on a retrospective basis.

On September 25, 2013, the Company closed a non-brokered private placement of 8,416,666 units at $0.03 per unit for gross proceeds of $252,500. Each unit consisted of one common share and one warrant of the Company. Each warrant is exercisable to purchase one common share of the Company until September 25, 2016 at $0.30 per share until February 25, 2015 and at $0.60 during the remaining period. As the issue price of each unit was less than the market price of the Company's shares on the day of announcement, the full issue price was allocated to the common shares.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

a) Common shares (continued)

On October 26, 2011, 25,000 common shares were issued upon exercise of 25,000 warrants at $1.50. On December 17, 2013, these shares were returned to treasury and cancelled due to a failure to pay by the warrant holder.

On October 26, 2011, 16,667 common shares were issued upon exercise of 16,667 warrants at $1.50. On August 1, 2014, these shares were returned to treasury and cancelled due to a failure to pay by the warrant holder.

During the year ended September 30, 2014, 3,183,333 common shares were issued upon exercise of 3,183,333 warrants at $0.30.

On October 2, 2014, the Company amended a promissory note previously issued on July 10, 2013 for up to $35,000. The Company has agreed to issue common shares in such number to have an aggregate value of $7,925 on the day before the date upon which the shares are issued as additional consideration for providing funds to the Company.

b) Escrow shares

Currently 4,167 shares (September 30, 2014 – 4,167) are held in escrow.

c) Warrants outstanding

	Number of Warrants	Weighted Average Exercise Price
Balance at September 30, 2013	8,416,666	$ 0.30
Warrants exercised	(3,183,333)	0.30
Balance at September 30, 2014 and December 31, 2014	**5,233,333**	**$ 0.30**

Expiry Date	Number of Warrants	Exercise Price
September 25, 2016	5,233,333	$ 0.30

(Expressed in Canadian Dollars)

10. SHARE-BASED COMPENSATION

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, officers, and employees to acquire common shares. The Company's previous stock option plan was cancelled and the Company has adopted the 2013 Stock Option Incentive Plan (the "Plan"). The essential elements of the Plan provide that the aggregate number of shares of the Company's capital stock issuable pursuant to options granted under the Plan may not exceed 10% of the issued common shares of the Company from time to time. Options granted under the Plan may have a maximum term of ten (10) years. The exercise price of options granted under the Plan will not be less than the fair market value price of the shares on the date of grant of the options (defined as the last closing market price of the Company's shares on the last day shares are traded prior to the grant date). Stock options granted under the Plan vest immediately subject to vesting terms which may be imposed at the discretion of the Directors.

The following summarizes the stock options outstanding:

	Number of Options	Weighted Average Exercise Price
Balance at September 30, 2013	-	$ -
Options granted	1,583,334	0.60
Balance at September 30, 2014 and December 31, 2014	**1,583,334**	**$ 0.60**

Date of Grant	Expiry Date	Number of Options Exercisable	Number of Options Outstanding	Exercise Price
April 10, 2014	April 10, 2016	1,500,001	1,583,334	$ 0.60

On April 10, 2014, the Company granted 1,583,334 stock options to certain officers, directors, and consultants of the Company to acquire 1,583,334 common shares of the Company at an exercise price of $0.60 per share, with an expiry date of April 10, 2016. All options vest immediately except for 166,667 options granted to Star Finance GmbH for investor relation services that will vest over a 12 month period. The 1,416,667 options have a fair value, calculated using the Black-Scholes option pricing model, of $709,422 or $0.50 per option, assuming an expected life of two years, a risk-free interest rate of 1.05%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 161%. The 166,667 options granted for investor relations have a fair value, calculated using the Black-Scholes option pricing model, of $27,453 of which $7,250 (September 30, 2014 - $21,578) has been expensed during the three months ended December 31, 2014. At December 31, 2014, 62,500 (September 30, 2014 – 41,667) options have vested.

11. RELATED PARTY TRANSACTIONS

The Company has identified certain directors and senior officers as key management personnel. The following table lists the compensation costs paid to key management personnel and companies owned by key management personnel for the three months ended December 31, 2014 and 2013:

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS (continued)

	Consulting	Director Fees	Office and Administration	December 31, 2014 Total
BUA Capital Management Ltd.	$ 22,500	$ -	$ -	$ 22,500
BUA Group Holdings Ltd.	-	-	12,300	12,300
GRW Inc.	9,000	-	-	9,000
	$ 31,500	**$ -**	**$ 12,300**	**$ 43,800**

	Consulting	Director Fees	Office and Administration	December 31, 2013 Total
BUA Capital Management Ltd.	$ 22,500	$ -	$ -	$ 22,500
BUA Group Holdings Ltd.	-	-	12,300	12,300
Geoff Watson	-	3,000	-	3,000
GRW Inc.	9,000	-	-	9,000
Jason Walsh	-	3,000	-	3,000
	$ 31,500	$ 6,000	$ 12,300	$ 49,800

BUA Capital Management Ltd. provides consulting services to the Company and is a private company controlled by a director, Jason Walsh. At December 31, 2014, the Company owed $126,294 (September 30, 2014 - $125,543) to BUA Capital Management Ltd. which is included in long term promissory notes payable from amounts due to related parties at September 30, 2014.

BUA Group Holdings Ltd. provides administration services to the Company and is a private company controlled by a director, Jason Walsh. At December 31, 2014, the Company owed $Nil (September 30, 2014 - $Nil) to BUA Group Holdings Ltd.

Geoff Watson is the Chief Financial Officer and a director of the Company. At December 31, 2014, the Company owed $26,000 (September 30, 2014 - $26,000) to Mr. Watson for unpaid director fees which is included in amounts due to related parties.

GRW Inc. provides consulting services to the Company and is a private company controlled by the Chief Financial Officer, Geoff Watson. At December 31, 2014, the Company owed $30,543 (September 30, 2014 – $30,543) to GRW Inc. which is included in long term promissory notes payable, from amounts due to related parties at September 30, 2014.

11. RELATED PARTY TRANSACTIONS (continued)

Hardcastle Capital Partners Corp. provides consulting services to the Company and is a private company controlled by the President and Chief Executive Officer, Scott Walters, on December 31, 2014. At December 31, 2014, the Company owed $6,500 (September 30, 2014 – $13,000) to Hardcastle Capital Partners Corp. which is included in amounts due to related parties.

Jason Walsh is a director of the Company. At December 31, 2014, the Company owed $23,944 (September 30, 2014 – $24,403) to Mr. Walsh which is included in the amounts due to related parties. Mr. Walsh is also owed $25,000 (September 30, 2014 – $25,000) for unpaid director fees which is included in amounts due to related parties.

Thelon Diamond Company Limited is a private company with common directors controlled by Jason Walsh, At December 31, 2014, the Company owed $14,000 (September 30, 2014 - $Nil) to Thelon Diamond Company Limited which is included in amounts due to related parties. The Company also issued a promissory note in the principal amount of $74,125 on August 15, 2014 to Thelon Diamond Company Limited, a private company with common directors. The note is without interest and due on January 1, 2016. At December 31, 2014, $72,350 (September 30, 2014 – $72,350) is owed against the note. The note is included in long term promissory notes payable.

International Ranger Corp. is a public company with common directors. At December 31, 2014, the Company owed $20,000 (September 30, 2014 – $20,000) to International Ranger Corp. which is included in long term promissory notes payable, from amounts due to related parties at September 30, 2014.

Scout Exploration Inc. is a public company with common directors, At December 31, 2014, the Company owed $4,373 (September 30, 2014 – $4,373) to Scout Exploration Inc. which is included in amounts due to related parties.

Mark Tommasi is a director on December 31, 2014. At December 31, 2014, the Company owed $194 (September 30, 2014 - $4,017) to Mr. Tommasi, for reimbursement of expenses. The amount is included in amounts due to related parties.

At December 31, 2014, the Company was owed $90,377 (September 30, 2014 - $79,377) from Zadar Ventures Ltd., a public company with common directors. The amount is included in amounts due from related parties.

At December 31, 2014, the Company was owed $302 (September 30, 2014 - $302) from United Zeolite Ltd., a private company with common directors. The amount is included in amounts due from related parties.

At December 31, 2014, the Company was owed $10,453 (September 30, 2014 - $10,453) from 1177129 Alberta Ltd., a private company controlled by a director of the Company, Jason Walsh. The amount is included in amounts due from related parties.

Amounts due to or from related parties are unsecured, do not bear interest, and are classified as a current asset or liability due to their nature and expected time of repayment; accordingly the fair value cannot be practicably determined.

(Expressed in Canadian Dollars)

12. SEGMENTED INFORMATION

The Company operates in one industry segment in Canada, the junior natural resource – exploration industry.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities during the three months ended December 31, 2014 and 2013 were as follows:

	December 31 2014	December 31 2013
Shares to be issued for financing costs	**$ 7,925**	$ -
Income taxes paid	**$ -**	$ -
Interest paid	**$ 121**	$ 3
Interest received	**$ -**	$ -

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, amounts receivable, investments held for sale, amounts due to/from related parties, accounts payable and accrued liabilities, and promissory notes payable approximate their carrying values due to the immediate or short-term nature of these instruments.

b) Fair value hierarchy

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The investment held for sale has been valued using a Level 1 valuation technique.

c) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash and amounts due from related parties. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. The Company's financial assets are not subject to material financial risks.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments, property exploration and development, or the proposed transactions. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through debt or equity financing. Cash on hand at December 31, 2014 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature, fixed interest rates, and maturity. The Company is exposed to interest rate price risk as its promissory notes bear interest at fixed rates.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company is exposed to foreign currency risk with respect to accounts payable and accrued liabilities that are denominated in US dollars.

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Financial risk management (continued)

iii) Market risk (continued)

(b) Foreign currency risk (continued)

	December 31 2014 USD	September 30 2014 USD
Accounts payable and accrued liabilities	$ 31,054	$ 31,054

At December 31, 2014, financial instruments were converted at a rate of $1.00 Canadian to US$1.1601.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk. The Company's sensitivity analysis suggests that a 5% change in the absolute rate of exchange for US dollars would not significantly affect its cash position or net loss at this time.

(c) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, reserves, and deficit. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

(d) Price risk

Price risk is the risk that the fair value of investments will decline below the cost of the underlying investments. The Company is exposed to price risk regarding its investments held for sale. The Company manages this price risk by monitoring the investment on a regular basis.

15. SUBSEQUENT EVENTS

On January 14, 2015, the Company entered into a Share Exchange Agreement between the Company, THC Meds Inc. and T.H.C. Medical Systems Ltd., (collectively the "Target Companies") and the shareholders of the Target Companies which results in a Reverse Take-Over transaction for accounting purposes. Pursuant to the agreement, 44,612,736 common shares of the Company were issued on January 14, 2015 at $0.045 per share to represent an approximate price of $2,007,572 and on January 22, 2015, 12,363,510 common shares of the Company were issued at $0.045 to represent an approximate price of $556,358. There are an additional 26,823,751 shares that may be issued to the former shareholders of the Target Companies: 16,600,000 common shares of the Company are to be released in the event a license pursuant to Canada's *Marihuana for Medical Purposes Regulations* ("MMPR") is received by one of the two subsidiaries; and 10,233,751 common shares of the Company to be released pending the removal of certain potential liabilities of the Target Companies.

On February 26, 2015, one of the Company's vendors agreed to a shares-for-debt transaction in the amount of $23,962.