AFFINOR GROWERS

(Previously AFFINOR RESOURCES INC.)

Consolidated Financial Statements

For the years ended May 31, 2014 and 2013

(In Canadian dollars, except number of shares)

Independent Auditor's Report

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To the Shareholders of
Affinor Growers Inc.

We have audited the accompanying consolidated financial statements of Affinor Growers Inc., which comprise the consolidated statements of financial position as at May 31, 2014 and 2013 and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

We believe that the audit evidence we have obtained 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 Affinor Growers Inc. as at May 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Raymond Chabot Grant Thornton LLP[1]

Montréal
September 29, 2014

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[1] CPA auditor, CA public accountancy permit no. A115879

AFFINOR GROWERS INC.
(Previously AFFINOR RESOURCES INC.)
Consolidated statement of Financial Position
(in Canadian dollars)

	May 31, 2014	May 31, 2013
	$	$
ASSETS		
CURRENT ASSETS		
Cash	**1,944,644**	26,237
Other receivables	**44,588**	20,758
Prepaid expenses	**170,613**	-
	2,159,845	46,995
NON CURRENT		
Exploration and evaluation assets (note 8)	**4**	95,834
Property equipment (note 9)	**5,000**	-
TOTAL ASSETS	**2,164,849**	142,829
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	**249,850**	101,125
Convertible debenture and accrued interest (note 10)	**-**	187,997
	249,850	289,122
EQUITY		
Share capital (note 12)	**11,948,091**	5,552,266
Share capital subscription received	**-**	16,500
Warrants	**951,093**	46,866
Contributed surplus	**3,588,305**	633,762
Deficit	**(14,572,490)**	(6,395,687)
TOTAL EQUITY	**1,914,999**	(146,293)
TOTAL LIABILITIES AND EQUITY	**2,164,849**	142,829

The accompanying notes are an integral part of the consolidated financial statements

AFFINOR GROWERS INC.
(Previously AFFINOR RESOURCES INC.)
Consolidated Statement of Comprehensive Loss
For the years ended May 31, 2014 and 2013
(In Canadian dollars)

	2014	2013
	$	$
EXPENSES		
Registration and information to shareholders	**51,752**	41,648
Professional fees and consulting fees	**823,287**	59,247
Employee benefit expenses	**11,640**	-
Management fees	**6,046,298**	66,000
Share-based payments	**910,462**	-
Other operation expenses	**189,153**	7,776
Loss on impairment of exploration and evaluation assets (Note 8)	**120,970**	-
OPERATING LOSS	**(8,153,562)**	(174,671)
Interest on convertible debenture	**20,783**	94,616
Gain on debt settlement	**(9,545)**	(33,784)
Other revenue	**(74)**	(1,626)
LOSS BEFORE INCOME TAXES	**(8,164,726)**	(233,877)
Deferred income tax (Note 16)	**43,183**	-
NET LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(8,121,543)**	(233,877)
Basic and diluted loss per share (note 15)	**(0.221)**	(0,015)
Weighted average number of shares in circulation for basic and diluted earnings per share	**36,788,512**	15,424,570

The accompanying notes are an integral part of the consolidated financial statements.

AFFINOR GROWERS INC.
(Previously AFFINOR RESOURCES INC.)
Consolidated Statement of change in Equity
For the year ended May 31, 2014
(In Canadian dollars)

	Number of shares	Share Capital	Share Capital subscription received	Warrants	Contributed surplus	Deficit	Total Equity
		$	$	$	$	$	$
Balance as at June 1, 2013	19,655,609	5,552,266	16,500	46,866	633,762	(6,395,687)	(146,293)
Private placement	18,720,969	1,712,066	(16,500)	951,093	-	-	2,646,659
Acquisition of mining properties	985,000	14,775	-	-	-	-	14,775
Debt conversion and settlement, net of deferred income tax of $36,880	6,827,320	520,266	-	-	(149,151)	(55,260)	315,855
Acquisition of private company	2,765,000	3,818	-	-	-	-	3,818
Expired warrants, net of deferred income tax of $ 6,303	-	-	-	(46,866)	40,563	-	(6,303)
Share-based payments	-	-	-		910,462	-	910,462
Options exerciced	1,000,000	105,423	-	-	(5,423)	-	100,000
Consultant and management services	11,000,000	4,180,000	-	-	2,100,000	-	6,280,000
Share issues cost	-	(140,523)	-	-	58,092	-	(82,431)
Net loss and total comprehensive loss for the year	-	-	-	-	-	(8,121,543)	(8,121,543)
Balance as at May 31, 2014	**60,953,898**	**11,948,091**	**-**	**951,093**	**3,588,305**	**(14,572,490)**	**1,914,999**

The accompanying notes are an integral part of the consolidated financial statements.

AFFINOR GROWERS INC.
(Previously AFFINOR RESOURCES INC.)
Consolidated Statement of change in Equity
For the year ended May 31, 2013
(In Canadian dollars)

	Number of shares	Share Capital	Share Capital subscription received	Warrants	Contributed surplus	Deficit	Total Equity
		$	$	$	$	$	$
Balance as at June 1, 2012	11,054,489	5,255,136	-	-	633,762	(6,161,810)	(272,912)
Private placement	4,800,000	193,134	16,500	46,866	-	-	256,500
Acquisition of mining properties property	2,675,000	83,500	-	-	-	-	83,500
Debt settlement	1,126,120	22,521	-	-	-	-	22,521
Share issues costs	-	(2,025)	-	-	-	-	(2,025)
Net loss and total comprehensive loss for the year	-	-	-	-	-	(233,877)	(233,877)
Balance as at May 31, 2013	**19,655,609**	**5,552,266**	**16,500**	**46,866**	**633,762**	**(6,395,687)**	**(146,293)**

The accompanying notes are an integral part of the consolidated financial statements.

AFFINOR GROWERS INC.
(Previously AFFINOR RESOURCES INC.)
Consolidated Statement of cash flows
For the years ended May 31, 2014 and 2013
(In Canadian dollars)

	2014	2013
	$	$
OPERATING ACTIVITIES		
Net loss	**(8,121,543)**	(233,877)
Interest on convertible debenture	**20,783**	94,616
Gain on debt settlement	**(9,545)**	(33,784)
Net change in working capital (note 17)	**107,782**	(37,988)
Deferred income tax	**(43,183)**	-
Management fees	**5,900,000**	-
Consulting and professional fees	**380,000**	-
Loss on impairment of exploration and evaluation assets	**120,970**	-
Share-based payment	**910,462**	-
Cash flows from operating activities	**(734,274)**	(211,033)
INVESTING ACTIVITIES		
Mining properties	**(10,365)**	(7,335)
Cash flows from investing activities	**(10,365)**	(7,335)
FINANCING ACTIVITIES		
Proceeds from issue of share capital	**2,745,477**	246,500
Shares issues costs	**(82,431)**	(2,025)
Cash flows from financing activities	**2,663,046**	244,475
Net change in cash	**1,918,407**	26,107
Cash beginning of the year	**26,237**	130
Cash end of the year	**1,944,644**	26,237

The accompanying notes are an integral part of the consolidated financial statements.

1. NATURE OF ACTIVITIES

As of May 23, 2014, Affinor Growers (hereafter "the Company") was specialized in exploration of gold mineral sites located in Canada, since that date, the Company is focused on the agriculture industry within North America.

In May 2014, the Company decided to change its name to Affinor Growers inc. This decision aims to better reflect the mission of the company that is to product and sell the medical marijuana and the other major crops such as romaine lettuce and strawberries.

2. GOING CONCERN ASSUMPTION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on the basis of the assumption of going concern, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Since the Company has not yet found a property that contains economically exploitable mineral deposits, the Company did not generate income or cash flows from operations to date and in light of operating losses incurred this year and in past years, there is a significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon the support of its suppliers and creditors and obtaining additional financing necessary to continue the exploration of its mineral properties and to generate income or cash flows from operations from product and sale of medical marijuana and the other major crops such as romaine lettuce and strawberries. Although the Company has managed to fund its exploration programs in the past, there is no guarantee that it whit manage to additional financing in the future.

The carrying amounts of assets and liabilities, revenues and expenses and classification if the going concern assumption was not be appropriate in statement of financial position has not been adjusted as would be requested. These adjustments could be material.

3. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

Affinor Growers inc. is the ultime parent Company of the group.

Affinor Growers Inc. is incorporated under *Canada business corporation act*. The address of the Company registered office and its principal place of business is 410 St-Nicolas street, suite 236, Montreal, Quebec. Its shares are listed on the Canadian Securities Exchange (CSE), the Frankfurt Exchange and the OTC QB Exchange.

The consolidated financial statements for the reporting year ended May 31, 2014 (including comparatives) were approved and authorized for issue by the Board of Directors on September 29, 2014.

4. CHANGES IN ACCOUNTING POLICIES

4.1 New and revised standards that are effective

A number of new and revised standards are effective for annual periods beginning on or after January 1, 2013. Information on new standards that are relevant for the Company is presented below.

IFRS 13 *Fair Value Measurement*

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect the items that are required to be fair-valued.

The scope of IFRS 13 is broad and applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after January 1, 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

Management reviewed its valuation methodologies and the application of the new standard did not have any effect on the fair value measurement.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* (IAS 27) and SIC 12 *Consolidation – Special Purpose Entities.* IFRS 10 revises the definition of control and provides extensive new guidance on its application.

These new requirements have the potential to affect which of the Company's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is non effect on the classification (as subsidiaries or otherwise) of any of the Company's investees held during the period or comparative periods covered by these consolidated financial statements.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

4.0 CHANGES IN ACCOUNTING POLICIES (continued)

4.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company.

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company.

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

IFRS 9 *Financial Instruments* (IFRS 9)

In July 2014, the IASB published IFRS 9 which replaces IAS 39 *Financial Instruments: Recognition and Measurement (IAS)39).* IFRS 9 introduces improvements which include a logical model for classification and measurement of financial assets, a single, forward-looking "expected loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has yet to assess the impact of this new standard on its consolidated financial statements.

5.0 SUMMARY OF ACCOUNTING POLICIES

5.1 Overall considerations

The significant accounting policies and measurement bases that have been applied in the preparation of these consolidated financial statements are summarized below.

The Company's financial statements consolidate those of the Company and 0957102 BC Ltd. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The Company's subsidiary is 100% owned by Affinor.

All transactions and balances between companies are eliminated upon consolidation, including unrealized gains and losses on transactions between group companies.

Amounts reported in the financial statements of subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Profit and loss and other comprehensive income of subsidiaries acquired or disposed of during the reporting annual period are recognized from the effective date of the acquisition, or up to the effective date of disposal, as applicable.

5.3 Basis of evaluation

These consolidated financial statements are prepared using the historical cost method.

5.4 Financial Instruments

Assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

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

A financial liability is derecognized when extinguishment, termination, cancellation or expiration.

Assets and liabilities are initially measured at fair value plus transaction costs.

Assets and financial liabilities are subsequently measured as described below.

5.0 SUMMARY OF ACCOUNTING POLICIES (continued)

5.4 Financial Instruments (continued)

Financial assets

For the purpose of subsequent measurement, financial assets are classified in various categories at the time of initial recognition.

The category determines the subsequent measurement method and accounting in either earnings or in other comprehensive income of revenues and expenses. All income and expenses related to financial assets recognized in earnings are presented in the financial expenses or financial products, if applicable.

All the financial assets of the Company are classified as loans and receivables. Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition they are measured at amortized cost using the method of effective interest rate, less a provision for impairment. Discounting is omitted if its effect is not significant. Cash and other receivables (except for taxes receivable) fall into this category of instruments Financial.

Impairment of financial assets

All financial assets except those at fair value through profit or loss are tested for impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that a financial asset or group of financial assets suffered an impairment loss.

Objective evidence of impairment could include:

- Significant financial difficulty on the part of the issuer or obligor;
- A breach of contract such as a failure to pay interest or principal;
- Increasing the likelihood of bankruptcy or other financial reorganization of the borrower.

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. Impairment of receivables is presented in profit or loss within Other operating expenses, if applicable.

Financial liabilities

Financial liabilities of the Company include trade and other payables and convertible debentures.

Financial liabilities are subsequently measured at amortized cost using the method of effective interest rate.

5.4 Business combinations under common control

Business combinations under common control are accounted for prospectively from the date the Company obtains the ownership interest using the predecessor values method. Whereby, assets and liabilities are recognized upon consolidation at their carrying amount recorded in the books of the acquired company.

5.5 Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders of the parent Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated by adjusting the loss attributable to ordinary equity holders of the parent Company and the weighted average number of common shares outstanding, the effects of all dilutive potential ordinary shares, which include share options warrants and the convertible debenture. It is assumed that the dilutive potential ordinary shares were converted into ordinary shares at beginning of the period or the date of issue of potential ordinary shares, if later.

To calculate diluted loss per share, an entity shall assume dilutive conversion options, dilutive warrants, and convertible debenture were exercised.

The assumed proceeds from these instruments shall be regarded as having been received from issuance of common shares at the average market price of common shares during the period

5.6 Exploration and evaluation assets

All costs of acquiring mineral rights are recognized as exploration and evaluation assets. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase. Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit or loss. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use. To determine the value in use, management estimates expected future cash flows from each asset, and then determines an appropriate interest rate for the calculation of the expected present value of the cash flows.

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

5.0 SUMMARY OF ACCOUNTING POLICIES (continued)

5.7 Property and equipment

Property and equipment are held at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part thereof.

Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. The periods generally applicable are as follows:

	Useful life
Equipment	5 years

The residual value, depreciation method and useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

5.9 Impairment of exploration and evaluation assets and property and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- the right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- no further exploration or evaluation expenditures in the area are planned or budgeted;
- no commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use

An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

5.10 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The Company has no provisions as at May 31, 2014 and 2013.

5.0 SUMMARY OF ACCOUNTING POLICIES (continued)

5.11 Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

However, since the Company has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred tax is calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax base. However, the deferred tax is not recognized at the time of initial recognition of goodwill or at the time of initial recognition of an asset or liability, unless the transaction giving rise thereto is a grouping of business or has an impact on accounting or taxable profit.

Deferred tax assets or liabilities are calculated, without discounting, according to tax rates that are expected to apply during their respective period of realization when these rates are substantively enacted by the end of the period presentation of financial information.

The deferred tax assets are recognized to the extent that it is probable that they will offset future taxable income.

Deferred tax liabilities are always provided in full.

Assets or deferred tax liabilities are offset only when the Company has the right and intention to offset assets or tax liabilities arising from the same tax authorities.

Changes in deferred tax assets or liabilities are recognized in profit or loss as deferred tax, unless they concern items that have been recognized directly in equity, in which case the deferred tax matching is also recognized in equity.

5.12 Equity

Share capital

Proceeds from the issuance of common shares are classified as share capital. Issue costs directly attributable to additional shares and warrants are deducted from equity products during the period when these transactions took place, net of any underlying income tax benefit from these issue costs.

If shares are issued when options or warrants are exercised or when the conversion option of the convertible debenture is exercised, the share capital account also comprises the compensation costs or the equity portion of the convertible debenture previously recorded in contributed surplus or in warrants.

Unit placements

Proceeds from unit placements are allocated proportionately between shares and warrants according to their respective fair values.

Share capital subscription received

Share capital subscription received includes amounts received for a share capital subscription for which the shares are not yet issued.

Warrants

Warrants include charges related to warrants. When warrants are exercised, the related compensation cost is transferred to share capital.

Contributed surplus

Contributed surplus includes expenses related to share options until the exercise of these options, the equity portion of the convertible debenture until the exercise of the conversion option and broker's warrants.

Deficit

Deficit includes all current and prior period retained profit or loss.

5.13 Share-based Payments

The Company operates a share based payments plan for administrators, staff and advisors who qualify. No plan of the Company has the option of cash settlement.

All goods and services received in exchange for the granting of share-based payments are measured at fair value, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the fair value is determined indirectly by reference to the fair value of equity instruments granted. This fair value is measured at grant date.

The share-based payments are ultimately recognized in the profit or loss with a corresponding credit to contributed surplus in shareholders' equity.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

(In Canadian dollars)

6. JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the consolidated financial statements, management makes a number of judgments, estimates and assumptions regarding the recognition and measurement of assets, liabilities, revenues and expenses.

Actual results may differ from the judgments, estimates and assumptions made by management and they will rarely be identical to the results estimated. The information on judgments, estimates and assumptions that have the greatest impact on the recognition and measurement of assets, liabilities, revenues and expenses is presented below.

JUDGEMENTS

Recognition of deferred income tax assets and measurement of income tax expense

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

Going Concern

Evaluation of the ability of the Company to realize its strategy for funding its future needs for working capital involves making judgments. More information about the going concern assumption is disclosed in Note 2.

ESTIMATE

Impairment of exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

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

Share-based payments

The estimation of share-based payment cost requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as the volatility of its own share based on share of comparable companies, the probable life options granted and the time of exercise of those options. The model used by the Company is the Black-Scholes valuation model.

7.0 COMPANY ACQUISITION

On May 23, 2014, the Company acquired 100% of the equity instruments of 0957102 BC Ltd (“BC”), a British Columbia, Canada, based business, thereby obtaining control. The acquisition of BC was made to reflect the Company’s position as a producer and a seller of medical marijuana in Canada.

This acquisition is considered a business combination under common control, as the two entities, Affinor Growers Inc. and BC, had a common important shareholder, as at May 23, 2014. The acquisition has been accounted by the Company prospectively from the date of obtaining the ownership interest. Assets and liabilities have been recognized upon consolidation at their carrying amounts in the IFRS financial statements of BC.

The information in the following table summarizes the consideration paid for BC and the amounts of the assets acquired and the liabilities that were recognized at the acquisition date.

	$
Consideration	
2,765,000 common shares	3,818
Total Consideration paid	3,818
Recognized amounts (predecessor values)	
Assets Acquired	
Property and equipment	5,000
Cash	68
Total	5,068
Liabilities taken over	
Trade and other payables	1,250
Total	1,250
Total recognized net assets	**3,818**

(In Canadian dollars)

7. COMPANY ACQUISITION (continued)

The contribution of BC to the consolidated loss from May 23, 2014 to May 31, 2014 was not important.

As part of the transaction, the Company agreed to issue an additional consideration of 2,435,000 common shares in the event. BC becomes a licensed producer under the Marihuana for Medical Purposes Regulations.

8.0 EXPLORATION AND EVALUATION ASSETS

	Balance as at June 1, 2013	Acquisition	Write-down (e)	Balance as at May 31, 2014
Quebec, Canada	$	$	$	$
Destor property (a)				
Mining rights	20,834	-	(20,833)	1
Exploration and evaluation expenses	-	10,119	(10,119)	-
	20,834	10,119	(30,952)	1
Joutel property (b)				
Mining rights	60,000	246	(60,245)	1
Exploration and evaluation expenses	-	-	-	-
	60,000	246	(60,245)	1
La Reine property (c)				
Mining rights	15,000	-	(14,999)	1
Exploration and evaluation expenses	-	-	-	-
	15,000	-	(14,999)	1
SP Property (d)				
Mining rights	-	14,775	(14,774)	1
Exploration and evaluation expenses	-	-	-	-
	-	14,775	(14,774)	1
Summary				
Mining rights	95,834	15,021	(110,851)	4
Exploration and evaluation expenses	-	10,119	(10,119)	-
	95,834	25,140	(120,970)	4

	Balance as at June 1, 2012	Acquisition	Adjustments	Balance as at May 31, 2013
Quebec, Canada	$	$	$	$
Destor property (a)				
Mining rights	5,000	20,834	(5,000)	20,834
Joutel property (b)				
Mining rights	-	60,000	-	60,000
La Reine property (c)				
Mining rights	-	15,000	-	15,000
Summary				
Mining rights	5,000	95,834	(5,000)	95,834

a) Destor Property

During the year ended May 31, 2013, the Company decided to drop the 83 mining claims of the Destor property acquired in December 2011 for 5,000 $. In November 2012, the Company subsequently acquired 37 mining claims covering 1,593 hectares located on the same property for $ 2,334.

On February 28, 2013, the Company signed an agreement to acquire Destor Extension property in exchange for the issuance of 925,000 common shares. The Destor extension property is composed of 4 mining claims covering an area of 144 hectares located in Destor County.

b) Joutel property

On August 31, 2012, the Company signed an agreement to acquire the Joutel property for $ 10,000 in cash and 1,000,000 common shares. The Company paid these amounts in October 2012. The Joutel property is composed of 11 mining claims covering an area of 273 hectares located in the Joutel township In Abitibi, Quebec.

(In Canadian dollars)

c) La Reine property

On February 28, 2013, the Company signed an agreement to acquire the La Reine property in exchange of the issuance of 750,000 common shares. The Joutel property is composed of 2 mining claims covering an area of 85 hectares located 25km from the old mine Dovan-Copper.

8. EXPLORATION AND EVALUATION ASSETS (continued)

d) SP property

On June 13, 2013, the Company signed an agreement to acquire the SP property in exchange of the issuance of 985,000 common shares. The property is composed of 7 mining claims covering 326 hectares.

e) Write-down

Since the Company has not planned for an exploration budget on these properties and management has chosen to focus on the company's culture-related activities, an impairment was recognized in net earnings during the year ended May 31, 2014.

9. PROPERTY AND EQUIPMENT

	Equipment	Total
	$	$
Gross carrying amount		
Balance at June 1, 2013	-	-
Acquisition through business combination	5,000	5,000
Balance at May 31, 2014	5,000	5,000
Accumulated depreciation and impairment		
Balance at June 1, 2014	-	-
Depreciation	-	-
Balance at May 31, 2014	-	-
Carrying amount at May 31, 2014	**5,000**	**5,000**

10. CONVERTIBLE DEBENTURE

In 2011, the Company sold its accounts payable, due to individuals and to directors totaling $ 295,751 to a third party, for a convertible debenture with a face value of $ 295,751 nominal interest rate of 10 % (effective rate of 50 %), principal and accrued interest payable at maturity in May 2014. The debenture can be converted at the holder's option in common shares at market price diminished by a discount of 15 %, with a minimum conversion price of $ 0.05 per share.

For accounting purposes, this convertible debenture includes a liability component and an equity component.

The liability component is calculated at the present value of interest payment and the repayment of principal discounted at a rate of 50 % representing the rate of interest that would have been requested for a non-convertible debenture at the time of issuance.

The equity component was evaluated from the residual amount of the value of the instrument as a whole after deduction of the amount determined separately for the liability component.

On February 28, 2013, the Company signed an agreement with the debenture owner to convert $ 56,305 of cumulated interest for 1,126,120 common shares at the conversion price of $ 0.05 per share. Therefore, the cumulated interest portion included in the debt component as of May 31, 2013 is $ 8,875.

On July 31, 2013 the Company entered into an agreement to early convert the $ 295,751 convertible debenture as well as its accrued interest of $ 14,915 by the issuance of 6,213,320 common shares at a deemed price of $ 0.05 per share.

11. LEASES

The Company's future minimum operating lease payments are as follows:

	Minimum lease payments due			
	Within 1 year	1 to 5 years	After 5 years	Total
	$	$	$	$
May 31, 2014	17,297	-	-	17,297
May 31, 2013	-	-	-	-

The Company leases its offices under a lease expiring in September 2014. Lease payments recognized as an expense during the reporting period amount to $ 1,255 (nil in 2013). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received. The Company's operating lease agreements do not contain any contingent rent clauses, renewal options or escalation clauses or any restrictions, such as those concerning dividends, additional debt, and further leasing.

12. EQUITY

12.1 Share Capital

Authorized share capital :

Unlimited numbers of common shares voting and participating, with no par value.

a) **On October 5, 2012**, the Company proceeded with the closing of a private placement shares without brokered a total of $ 240,000. The private placement consisted of the issuance of 4,800,000 common shares of the Company at a price of $ 0.05 per share and 4,800,000 warrants subscription. Each warrant entitles bearer to subscribe one additional common share of the Company at a price of $ 0.05 for a period of 12 months following the closing date of the private placement.

The fair value of the warrants was estimated using the Black Scholes options pricing model with the following weighted average assumptions

Estimated life of 1 year, risk free interest rate of 1,12 %, 0% dividend rate of return, volatility rate of 125 %. The underlying expected volatility was determined by reference to historical data of three comparable companies over the expected life period.

b) **On 16 octobre, 2012**, the Company acquired the Joutel property for a total of 16 claims. In return, the Company paid 10 000 $ in cash and issued 1,000,000 common sharesat a price of $ 0,05 per share for a value of $ 50,000.

c) **On March 5, 2013**, The Company issued 750,000 common shares to acquire La Reine property, at a price of $ 0,02 per share for a total value of $ 15,000..

d) **On March 5, 2013**, the Company issued 925,000 common shares to acquire Dextor Extension property at a price of $ 0,02 per share for a total value of $ 18,500.

e) **On March 21, 2013**, the Company entered into an agreement to satisfy $ 56,305 of cumulated interest by the issuance of 1,126,120 common shares. The Company recorded a gain on settlement of a financial liability of $ 33,784 in the statement of comprehensive loss as well as an increase of share capital of $ 22,521, representing a fair value of 0.02 $ per share..

f) **On May 26, 2013**, the Company began a new private financing through common shares without the intervention of a broker. To date, the Company received $ 16 500 for a subscription to 1,100,000 common shares.

g) **On June 17, 2013**, the Company acquired the SP Property. The SP property contains 7 mining claims and covers 325 hectares. According to the terms of the transaction, the Company acquires 100 % of the 7 claims in exchange of the issuance of 985,000 common shares of the Company.

h) **On June 17, 2013** the Company closed a non brokered private placement in the amount of $ 96,500, through the sale of 6,433,333 common shares priced at 0.015 $ each. Approximately 49 % of the common shares were acquired by directors and officers of the Company. The Company was granted an exemption to the CNSX minimum price rule.

i) **On July 31, 2013**, the Company closed the second tranche of a non brokered private placement in the amount of 32,250 $, through the sale of 2,150,000 common shares priced at 0.015 $ each. Approximately 23 % of the common shares were acquired by the president and chief executive officer of the Company. The Company was granted an exemption to the CNSX minimum price rule.

j) **On July 31, 2013** the Company entered into an agreement to early convert the $ 295,751 convertible debenture as well as its accrued interest of $ 14,915 by the issuance of 6,213,320 common shares at a deemed price of $ 0.05 per share.

k) **On March 28, 2014**, the Company entered into an agreement for debt settlement of $153,500 payable to directors with shares. The Company issued 614,000 common shares at a deemed price of $ 0.25 per share. The Company recorded a loss on settlement of financial liability of $55,260 in the statement of changes in equity.

l) **On April 4, 2014**, the Company announced the closing of the first tranche of a non-brokered private placement for gross proceeds of $ 1,007,659. The securities issued are composed of 4,030,636 units. Each unit is comprised of one common share and one share purchase warrant of the Company. The common share purchase warrant has a term of two years exercisable at $ 0.40 with an early exercise provision when the common shares of the Company trade above $ 0.75 for 20 consecutive trading days. The Company paid a finder's fee of $ 35,023 and issued 140,090 broker warrants. Each broker warrant entitling to acquire one common share of the Company at a price of $ 0.40 with an early exercise provision when the common shares of the Company trade above $ 0.75 for 20 consecutive trading days.

m) **On April 14, 2014**, the Company appointed Nick Brusatore to its advisory board. The Company has issued 10,000,000 common shares of the company to Mr. Brusatore to prepare and execute the business model and financial plan required for the full-scale, mass production of marijuana for medical purposes. For the issued of the 10,000,000 common shares, the Company have recorded an expense of $3,800,000 included in Management fees. Mr. Brusatore will also receive an additional compensation of 5,000,000 common shares when the Company is granted its licence for production. The Company has granted 1,000,000 stock options to Mr. Brusatore to purchase common shares of the Company at an exercise price of $ 0.49 per share. The Company has agreed to pay a 10% finder's fee, payable in shares (1,000,000 common shares), to Michael Flowerdew for facilitating the agreement with Mr. Brusatore. This compensation resulted in an expense of $380,000 recorded in professional fees and consulting fees.

On May 5, 2014, the company and Nick Brusatore agreed to cancel the additional compensation of 5,000,000 common shares. This cancelation resulted in an additional expense recorded as Management fees of $2,100,000.

The fair value of the service received by reference to the shares using the quoted price of the day of insuance or cancelation because the fair value of the service could not be estimated reliably.

(In Canadian dollars)

12.0 EQUITY (continued)

12.1 Share Capital (continued)

n) **On April 23, 2014**, the Company closed a second and final tranche of a non-brokered private placement for gross proceeds of $ 1,526,750. The securities issued are composed of 6,107,000 units. Each unit is comprised of one common share and one share purchase warrant of the Company. The common share purchase warrant has a term of two years exercisable at $ 0.40 with an early exercise provision when the common shares of the Company trade above $ 0.75 for 20 consecutive trading days. The Company issued 130,030 broker warrants. Each broker warrant entitling to acquire one common share of the Company at a price of $ 0.40 with an early exercise provision when the common shares of the Company trade above $ 0.75 for 20 consecutive trading days. The Company paid finder fees and other share insurance cost of $47,408.

o) **On May 23, 2014,** the Company acquired 100% of a private company in the final stage of obtaining their medical marijuana license. The Company is located in the province of British Columbia. The company issued 2,765,000 common shares and will issue 2,435,000 common shares when the issuance of a licence to D&G.

12.2 Warrants

Outstanding warrants are as follows:

		May 31, 2014		**May 31, 2013**
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
	$	**$**	**$**	**$**
Balance as at beginning of the year	4,800,000	0.10	4,800,000	0,10
Issued private offerings	10,137,636	0.40	-	-
Expired warrant	(4,800,000)	0,10	-	-
Balance as at the end of the year	10,137,636	0,40	4,800,000	0,10

The number of warrants outstanding exercisable in exchange for an equivalent number of shares is as follows:

		May 31, 2014		**May 31, 2013**
Expiration date	**Number**	**Exercise price**	**Number**	**Exercise price**
		$		**$**
October 5, 2013	-	-	4,800,000	0.10
April 4, 2016	635,000	0.40	-	-
April 7, 2016	3,395,636	0.40	-	-
April 11, 2016	1,080,000	0.40	-	-
April 14, 2016	564,000	0.40	-	-
April 16, 2016	218,000	0.40	-	-
April 22, 2016	360,000	0.40	-	-
April 23, 2016	3,885,000	0.40	-	-
	10,137,636		4,800,000	

The underlying expected volatility was determined in reference to historical data of three comparable companies over the expected life period.

The fair value of warrants was calculated using the Black-Scholes option pricing Model and the following weighted average assumptions:

	May 31, 2014	May 31, 2013
	$	$
Expected life	2 years	1 year
Risk-free interest rate	1.08%	1.12%
Expected volatility	125%	125%
Expected dividend	-	-
Share price at date of issuance	0.36	0.05

(In Canadian dollars)

12.0 EQUITY (continued)

12.3 Broker's warrants

Outstanding broker's warrants are as follows:

	May 31, 2014	
	Number of brokers warrants	**Weighted average exercise price**
	$	**$**
Balance as at beginning of the year	-	-
Issued private offerings	270,390	0.40
Balance as at the end of the year	270,390	0.40

The number of broker's warrants outstanding exercisable in exchange for an equivalent number of shares is as follows:

	May 31, 2014	
Expiration date	**Number**	**Exercise price**
		$
April 4,2016	140,090	0.40
April 14, 2016	108,000	0.40
April 16, 2016	13,800	0.40
April 23, 2016	8,500	0.40
	270,390	

The fair value of the broker's warrants was calculated using the Black-Scholes option pricing model and the following weighted average assumptions:

The underlying expected volatility was determined in reference to historical data of three comparable companies over the expected life period:

	May 31, 2014
Expected life	2 years
Risk-free interest rate	1.065%
Expected volatility	125%
Expected dividend	-
Share price at date of issuance	0.36

12.4 Share-based payments

The Company maintains a share-based payment plan (the "Plan") whereby the Board of Directors may from time to time grant to employees, staff members and consultants, options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board but cannot be lower than the discounted price.

The plan provides that the maximum number of common shares in the capital of the Company which may be reserved for issuance under the plan may not exceed 10 % of the publicly traded shares issued and outstanding on the grant date of the options (on a non-diluted basis), this number being equal to 6,095,390 shares on May 31, 2014.

Options granted are exercisable at the day of grant except for persons performing investor relations activities. Options granted to supplier of investor's relations services must at a minimum vest in stages over a period not less than 12 months with no more than one fourth of the options vesting in any three-month period.

(In Canadian dollars)

12.0 EQUITY (continued)

12.4 Share-based payments

A summary of changes in the Company's common share purchase options is as follows

		May 31, 2014
	Number of options outstanding and exercisable	Weighted average exercise price
		$
Balance, beginning of the year	-	-
Granted	5,620,000	0.23
Exercised and	(1,000,000)	0.10
Balance, end of year	4,620,000	0.26

		May 31, 2014
Number	**Exercise price**	**Weighted remaining life**
	$	Years
250 000	0.05	4.73
1 920 000	0.10	4.49
400 000	0.33	4.88
600 000	0.35	4.86
1 000 000	0.49	4.95
350 000	0.49	4.95
100 000	0.80	5.00
4 620 000	0.26	-

The Company granted 5,620,000 stock purchase options during the year (nil in 2013) to directors and consultants. The fair value of these options of $ 910,462 (nil in 2013) was estimated using the Black-Scholes option pricing model with the following assumptions:

The weighted average share price at the date of exercise was $ 0.25.

The underlying expected volatility was determined by reference to historical data of three comparable companies over the expected life period.

	May 31, 2014	May 31, 2013
	$	$
Risk-free interest rate	1.675 %	-
Expected volatility	125 %	-
Expected life	5 years	-
Expected dividend	-	-
Fair value of options granted	0.16	-
Share price at date of grant	0.19	-

13. RELATED PARTY TRANSACTIONS

Related party transactions were recorded at the exchange value, which is the consideration determined and agreed to by the related parties.

The Company's related parties include directors, key management and companies controlled by directors and key management, as described below.

Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

(In Canadian dollars)

13.0 RELATED PARTY TRANSACTIONS (continued)

13.1 Transactions with key management personnel

Key management of the Company are members of the Board of Directors. Key management compensation allocated includes the following expenses:

	2014 $	2013 $
Short-term key management benefits		
Social security cost	807	-
Salaries and consulting fees	40,415	-
Professional fees	51,000	36,152
Others	5,862	-
Total short-term management benefits	98,084	36,152
Management fees	6,046,298	-
Consulting fees	52,260	66 000
Share-based payments	552,326	-
Total remuneration	6,748,968	102,152

In addition, the Company has a payable of $ 34,334 in consulting and management fees to companies controlled by directors of the Company as at May 31, 2014.

14. ASSETS AND FINANCIAL LIABILITIES

Categories of assets and liabilities

The carrying value and fair value of financial instruments presented in the statement of financial position are as follows:

	May 31, 2014		May 31, 2013	
	Book value	Fair value	Book value	/ Fair value
	$	$	$	$
Financial assets				
Loans and receivables				
Cash	1,944,644	1,944,644	26 237	26 237
Other receivable	175	175	175	175
	1,944,819	1,944,819	26 412	26 412
Financial liabilities				
	249,850	249,850		
Trade and other payables (note 8)			101,125	101 125
Convertible debenture (note 9)	-	-	187 997	228 280
	249,850	249,850	289 122	329 405

The fair value of the liability component of the convertible debenture was determined by discounting future cash flows at an interest rate the Company could obtain on the market. It is the rate the Company would obtain for financial liabilities with similar conditions and maturity.

15. LOSS PER SHARE

Both the basic and diluted loss per share have been calculated using the net loss as a numerator, i.e. no adjustment to the net loss was necessary for the periods presented.

In calculating the diluted loss per share, dilutive potential common shares such as share options, warrants and the conversion option on the convertible debenture have not been included as they would have the effect of decreasing the loss per share. Decreasing the net loss per share would be antidilutive. Details on the share options, the warrants and the convertible debenture with a potentially dilutive effect on earnings per share are presented in notes 10 and 12.

(In Canadian dollars)

16. INCOME TAXES

Major components of the tax expense (income) are outlined below :

	2014	2013
	$	$
Deferred income taxes		
Origination and reversal of temporary differences	(43,191)	8
Changes intax rate	-	-
Prior period adjustments	8	(8)
Income taxes	(43,183)	-

Relationship between expected tax expense and accounting net earnings (income)

The Company's expected income tax rate is different from the combined federal and provincial income tax rate in Canada. This difference results from the following elements :

	2014	2013
	$	$
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.9 % (26.9 % in 2013)	(2,196,311)	(62 913)
Adjustment for the following items :		
Deferred income and tax assets unrecognized on temporary differences during the year	1,263,954	62,654
Impact of change in tax rates	811,678	268
Expired loss	77,489	-
Adjustment of previously deferred taxes	8	(9)
Income taxes	(43,183)	-

Deferred tax assets and liabilities

The following differences between the carrying amounts and tax bases from timing differences, unused tax losses and unused tax losses and unused tax credits give rise to the following recognized and unrecognized deferred taxes;

			May 31, 2014
	Deferred tax assets	Deferred tax liabilities	Net
Recognized deferred tax assets and liabilities	$	$	$
Convertible debenture	-	-	-
Non-Capital losses	-	-	-
	-	-	-

			May 31, 2013
	Deferred tax assets	Deferred tax liabilities	Net
Recognized deferred tax assets and liabilities	$	$	$
Convertible debenture	-	(30 991)	-
Non-Capital losses	30 991	-	-
	30 991	(30 991)	-

(In Canadian dollars)

16.0 INCOME TAXES (continued)

Deferred tax assets and liabilities (continued)

The Company has the following timing differences for which no deferred income tax has been recognized

		May 31, 2014
	Fédéral	Provincial
	$	$
Exploration and evaluation assets	2,343,395	2,343,395
Non-capital losses	6,558,659	6,490,700
Share issue cost	67,160	67,160
Property and equipment	106,012	100,013
	9,075,226	9,001,268

		May 31, 2013
	Fédéral	Provincial
	$	$
Exploration and evaluation assets	2,222,425	2,222,425
Non-capital losses	1,936,549	1,867,863
Capital losses	5,803	5,803
Property and equipment	1,620	1,620
	41,894	35,843
	4,208,291	4,133,554

The ability to realize the tax benefits is dependent upon a number of factors, including the future profitability of operations. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable profits will be available to allow the asset to be recovered. Accordingly, no deferred tax assets have been recognized, these deferred tax assets not recognized equal an amount of $ 2,431,642 as at May 31, 2014 ($ 1,123,137 as at May 31, 2013

	Balance as at May 31, 2013	Recognized in equity	Recognized in contributed surplus	Recognized in profit and loss	Balance as at May 31, 2014
	$	$	$	$	$
Non-capital losses	(30,991)	(63,646)	(6,303)	38,958	-
Convertible debenture	30,991	26,766	-	4,225	-
	-	(36,880)	(6,303)	43,183	-

	Balance as at May 31, 2012	Recognized in equity	Recognized in contributed surplus	Recognized in profit and loss	Balance as at May 31, 2013
	$	$	$	$	$
Non-capital losses	47,622	-	-	16,631	30,991
Convertible debenture	(47,622)	-	-	(16,631)	(30,991)
	-	-	-	-	-

The Company has non-capital losses of $ 6,558,659 ($ 6,490,700 in Quebec) which are available to reduce income taxes in future periods. For which no deferred income tax asset has been recognized in the statement of financial position, that can be carried over the following years :

	Federal	Provincial
	$	$
2015	2,295	-
2026	189 403	173,833
2027	447 669	403 836
2028	345 425	344 646
2029	139 272	137 137
2030	36 680	36 680
2031	62 671	62 671
2032	106,527	106,527
2033	207,937	207,401
2034	5,020,780	5,017,969
	6,558,659	6,490,700

Accumulated federal investment tax credits of $ 6,499 are available to be applied against future tax payable. These federal investment tax credits may be carried forward for 20 years and will expire between 2026 and 2028.

(In Canadian dollars)

17. ADDITIONAL INFORMATIONS CASH FLOWS

	May 31, 2014	May 31, 2013
Other Receivables	(23,830)	2,650
Prepaid expenses	(170,613)	-
Trade and other payables	302,225	(40,638)
Total	107,782	(37,988)

18. INFORMATION DISCLOSURE ABOUT CAPITAL

The Company monitors capital on the basis of the carrying amount of equity and convertible debenture. The capital is $ 1,914,999 as at May 31, 2014 ($ 41,704 as at May 31, 2013).

The objective of the Company's capital management is to preserve its ability to continue its operations, its program of acquisition and is agriculture operations. This objective will be achieved by identifying the right exploration and agriculture projects, adding value to these projects and ultimately taking them through to production or sale and cash flow, either with partners or by the Company's own means.

The Company is not subject, under external rules, to capital requirements.

When financing conditions are not optimal, the Company may enter into option agreements or other solutions to continue its activities or may slow its activities until conditions improve.

19. FINANCIAL RISK MANAGEMENT

The Company is exposed to various risks related to financial instruments. The financial assets and liabilities of the Company are summarized by category in note 15. The main types of risks to which the Company is exposed are market risk, credit risk and liquidity risk.

No change has been made in terms of objectives, policies or procedures related to the management of risks arising from financial instruments during periods of financial reporting considered.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to interest rate risk. The objectives of the Company are to ensure cash inflows in the short and medium term, while reducing exposure to capital markets. The Company does not trade in financial assets for speculative purposes.

The main financial risks to which the Company is exposed are detailed below :

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

The Company manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its obligations.

As at May 31, 2014, all of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at May 31, 2014, the Company presents a working capital of $1,909,995. The ability of the Company to continue its activities relies upon the supports of its suppliers and obtaining additional financing.

Credit risk

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Cash are held with a Canadian chartered bank which reduces the risks. Also the Company continuously menitors defaults of others parties. No impairment loss has been recognized on the periods presented.

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

20. COMMITMENTS

In January 2013, the Company signed a service contract, with a company controlled by one of the officers of the Company, for accounting and financial services for an annual amount of $ 80,000 for the first year and $ 84,000 for the second year. This agreement started on January 1st, 2014 and will end on December 31, 2015. On May 31, 2014, the balance of this commitment was $ 140,000.

In December 2013, the Company signed a service contract, with a company controlled by one of the officers of the Company, for consulting and financial services for an annual amount of $ 123,000 for the first year and $ 150,000 for the second year. This agreement started on December 1st, 2013 and will end on November 30, 2015. On May 31, 2014, the balance of this commitment was $ 225,000.

The Company signed a contract for a consulting service for an amount of $ 24,000. On May 31, 2014 the balance of this commitment was $ 16,000.

The Company signed a contract for a consulting service for an amount of $ 60,000. On May 31, 2014 the balance of this commitment was $ 45,000.

21. EVENTS AFTER THE REPORTING PERIOD

On June 2, 2014, the Company announce the appointment of Rick Easthom to his advisory board. The Company has granted to Mr. Easthom 100,000 incentive stock options to purchase common shares. The options are exercisable on or before June 2, 2019, at an exercise price of $0.85 per share.

On June 6, 2014, the Company announce the appointment of Carl MacAulay as security director for the Company. The Company has granted to Mr. MacAulay 100,000 incentive stock options to purchase common shares. The options are exercisable on or before June 5, 2019, at an exercise price of $1.03 per share.

On June 24, 2014, the Company concludes an agreement for the exclusive technology license with Vertical Designs Ltd. (¨VDL¨) a company under control of a director and an important shareholder of the Company. Under the terms of the agreement, the Company issued 666,666 common shares at a deemed price of $ 0.75 per share to VDL and will pay a 5% royalty on the net sales of production.

On July 11, 2014, The Company signs a letter of intention (LOI) to acquire VDL under the term of the LOI. The Company is acquiring 100% of VDL shares for an aggregate purchase price of $15-million, payable by the issuance of 17,857,143 common shares of the Company at a deemed price of $ 0.84 per share, subject to due diligence and regularity approval.

On July 21, 2014, the Company purchased 45 acres of agriculture property in Saint-Chrysostome Québec for $ 340,000.

On August 15, 2014, the Company acquired a 10% interest in Margaux Red Capital ("Margaux"). The Company acquired in the open market 310,000 common shares of Margaux.

On September 23, 2014, the Company acquired a 49% interest in Herbal Analytics, a Washington State testing laboratory. Under the term of the agreement, the Company paid $ 150,000, $ 150,000 in a repayable loan over a maximum of 4 years and issued949,612 common shares.

On September 24, 2014, the Company acquired a 49% interest in Good to Grow LLC, a medical Marijuana dispensary and grower. Under the term of the agreement, the Company will invest $ 600,000 US to improve the existing facility.