MATICA ENTERPRISES

(FORMERLY MATICA GRAPHITE INC.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2015

(Unaudited)

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR'S REVIEW OF

CONDENSED INTERIM FINANCIAL STATEMENTS

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

The accompanying condensed interim financial statements for Matica Enterprises Inc. (formerly "Matica Graphite Inc.") (the "Company") have been prepared by the Company's management in accordance with International Financial Reporting Standards ("IFRS") and are the responsibility of the Company's management.

MATICA ENTERPRISES INC. (FORMERLY "MATICA GRAPHITE INC.")
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)

	Notes	March 31, 2015	December 31, 2014
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents		**118,496**	119,594
GST/HST recoverable and other receivable		**72,903**	40,924
Due from related party	7	**40,280**	-
Prepaid	10(b)	**440,419**	30,295
		672,098	190,813
DEPOSIT		**7,111**	24,196
INVESTMENTS IN ASSOCIATES	4	**623,323**	464,047
EXPLORATION AND EVALUATION ASSETS	5	**549,121**	540,315
		1,851,653	1,219,371
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		**287,001**	272,627
Due to related parties	7	**-**	29,720
Flow-through renounciation obligation	10	**135,046**	135,046
		422,047	437,393
SHAREHOLDERS' EQUITY			
Share capital	6	**5,804,155**	4,611,662
Subscriptions received	6	**19,400**	17,400
Reserves		**604,671**	406,848
Deficit		**(4,998,620)**	(4,253,932)
		1,429,606	781,978
		1,851,653	1,219,371

NATURE OF BUSINESS AND GOING CONCERN (Note 1)
COMMITMENTS (Notes 4, 5 and 10)
SUBSEQUENT EVENTS (Note 12)

APPROVED ON JUNE 9, 2015 ON BEHALF OF THE BOARD:

/s/ "George A. Brown"
George A. Brown, Director

/s/ "Boris Ziger"
Boris Ziger, Director

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

MATICA ENTERPRISES INC. (FORMERLY "MATICA GRAPHITE INC.")
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(Expressed in Canadian Dollars)

	Notes	Three Months Ended March 31 2015	2014
		$	$
GENERAL AND ADMINISTRATIVE EXPENSES			
Consulting		**74,098**	7,500
Management and director's fees	7	**57,500**	34,500
Marketing and Promotion	6(d)	**348,034**	1,500
Office and miscellaneous		**12,940**	1,340
Professional fees		**99,836**	7,740
Rent		**9,773**	6,815
Share-based compensation	6(d)	**75,389**	-
Transfer agent and filing fees		**17,872**	2,058
Travel and promotion		**8,522**	-
		703,964	61,453
OTHER INCOME (EXPENSES)			
Equity in loss of associate		**(40,724)**	-
		(40,724)	-
NET LOSS AND COMPREHENSIVE LOSS		**(744,688)**	(61,453)
LOSS PER SHARE - BASIC AND DILUTED		**(0.00)**	(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES		**434,823,874**	23,015,587

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

MATICA ENTERPRISES INC. (FORMERLY "MATICA GRAPHITE INC.")

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Unaudited)
(Expressed in Canadian Dollars)

	Notes	Common shares Shares	Common shares Amount	Share Subscriptions Received	Reserves	Deficit	Shareholders' Equity (Deficiency)
			$	$	$	$	$
Balance, December 31, 2013		33,448,118	2,089,574	(24,000)	144,798	(2,419,336)	(208,964)
Subscriptions received		-	-	41,400	-	-	41,400
Warrants exercised	6(b)	2,397,381	182,450	-	-	-	182,450
Option exercised	6(b)	550,000	96,881		(41,881)		55,000
Shares issued for properties	6(b)	10,025,000	334,000	-	-	-	334,000
Shares issued for long term investment	6(b)		522,500	-	-	-	522,500
Shares issued for cash, net	6(b)	13,921,500	952,757	-	6,653	-	959,410
Shares issued for settlement of debts	6(b)	5,640,000	433,500	-	-	-	433,500
Share based compensation	6(d)	-	-	-	297,278	-	297,278
Comprehensive loss		-	-	-	-	(1,834,596)	(1,834,596)
Balance, December 31, 2014		65,981,999	4,611,662	17,400	406,848	(4,253,932)	781,978
Subscriptions received		-	-	2,000	-	-	2,000
Warrants exercised	6(b)	960,000	67,200	-	-	-	67,200
Option exercised	6(b)	825,000	145,073		(62,573)		82,500
Shares issued for long term investment	6(b)	400,000	(40,000)	-	-	-	(40,000)
Shares issued for cash, net	6(b)	7,802,275	550,221	-	-	-	550,221
Shares issued for settlement of debts	6(b)	5,875,000	470,000	-	-	-	470,000
Share based compensation	6(d)			-	260,396	-	260,396
Comprehensive loss		-	-	-	-	(744,688)	(744,688)
Balance, March 31, 2015		81,844,274	5,804,156	19,400	604,671	(4,998,620)	1,429,607

MATICA ENTERPRISES INC. (FORMERLY "MATICA GRAPHITE INC.")
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)

	Note	Three Months Ended March 31 2015	2014
		$	$
OPERATING ACTIVITIES			
Net loss		**(744,688)**	(61,453)
Items not involving cash			
Share-based compensation	6(d)	**260,396**	-
		(484,292)	(61,453)
Changes in non-cash working capital items:			
GST/HST recoverable and other receivable		**(31,979)**	(1,300)
Prepaid expenses and deposits		**(393,039)**	(200)
Accounts payable and accrued liabilities		**208,374**	(78,663)
Cash Used in Operating Activities		**(700,936)**	(141,616)
INVESTING ACTIVITIES			
Investment in exploration and evaluation assets		**(8,806)**	59,008
Investment in associates		**(159,276)**	-
Cash Used in Investing Activities		**(168,082)**	59,008
FINANCING ACTIVITIES			
Common shares issued, net of share issue costs		**668,820**	54,000
Share subscriptions received		**19,400**	-
Exercise of options		**82,500**	-
Exercise of warrants		**67,200**	-
Due to related parties		**30,000**	37,870
Cash Provided by Financing Activities		**867,920**	91,870
INCREASE (DECREASE) IN CASH		**(1,098)**	9,262
CASH AND CASH EQUIVALENTS, BEGINNING		**119,594**	157
CASH AND CASH EQUIVALENTS, ENDING		**118,496**	9,419
NON-CASH TRANSACTIONS:			
Shares issued for exploration and evaluation assets		**-**	30,000
Shares issued for investment in associates	4	**-**	-
Shares issued for related parties loans settlement	6	**1,250,000**	-
Shares issued for vendors loans settlement	6	**2,425,000**	-
Shares issued for finders fees	4	**3,100,000**	-
Agent warrants issued	6	**168,000**	-
SUPPLEMENTAL INFORMATION:			
Interest paid		**-**	-
Income taxes paid		**-**	-

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

1. NATURE OF BUSINESS AND GOING CONCERN

Matica Enterprises Inc. ("Matica" or the "Company") was incorporated pursuant to the Business Corporations Act (British Columbia) on November 13, 2007 under the name of Cadman Resources Inc. The Company was listed in July 2008 as a Capital Pool Company as defined in the policies of the TSX Venture Exchange (the "Exchange"). In December 2010, the Company's listing was transferred to the NEX board due to the failure to complete a Qualifying Transaction within the Exchange's prescribed time frame. In July 2012, the Company delisted trading of its shares from the NEX board and began trading on the Canadian Stock Exchange ("CSE").

In April 2014, the Company changed its name to Matica Graphite Inc. and began trading under the symbol "GRF". In July 2014, the Company changed its name to Matica Enterprises Inc. In July 2014, the Company's shares were accepted for trading on the Frankfurt Stock Exchange. On May 12, 2014, the Ontario Securities Commission ("OSC") issued a Temporary Management Cease Trade Order for failure to timely file its December 31, 2013 annual filings. The Temporary order expired on May 23, 2014 and was replaced by a Permanent Management Cease Trade Order which lapsed or expired on June 4, 2014.

On May 4, 2015, the Ontario Securities Commission issued a Temporary Management Cease Trading Order for failure to timely file the Company's December 31, 2014 annual filings. This order expired and was replaced by a Permanent Management Cease Trade Order on May 15, 2015 which is subject to termination two business days after completion of the required filings.

The head office, principal address and records office of the Company is 1102 – 44 Victoria Street, Toronto, ON M5C 1Y2, Canada.

During the year ended December 31, 2014, the Company initiated a change of business focus into the medical marijuana industry. As a result of this change of business focus, trading was halted by the CSE on August 26, 2014 and resumed under the new symbol "MMJ" on November 24, 2014.

In January 2015, the Company entered into a Plan of Arrangement (the "Arrangement") to transfer assets to its four subsidiaries and distribute the shares of the four subsidiaries to the Company's shareholders. The purpose of the Arrangement is to enable the Company to focus on the development of the medical marijuana business in THCD (Note 4), and to divest its other assets to its subsidiaries. Immediately after the completion of the Arrangement, each shareholder of the Company at the share distribution record date will hold one-third of a Subco4 share, one-fifteenth of a Subco1 share, one-seventy fifth of a Subco2 share and one-fifteenth of a Subco3 share. The Arrangement was approved by the shareholders of the Company on March 10, 2015 and by the Supreme Court of British Columbia on March 23, 2015. Each of these subsidiaries will be considered a reporting issuer in the Provinces of British Columbia, Alberta and Ontario.

According to the Arrangement, the Company will transfer the following assets to the four subsidiaries as follows:

- Subco1 - $20,000 in cash and the letter of intent with THCO (Note 11(e));
- Subco2 - $20,000 in cash and the letter of intent with Ludwig (Note 11(d));
- Subco3 - $20,000 in cash and the Chlorine Dioxide Tablets Marketing and Distribution Project (Note 4(b));
- Subco4 - $20,000 in cash and all the mining assets comprised of the Grumpy Lizard and Buckingham North exploration and evaluation assets described in Note 5.

1. NATURE OF BUSINESS AND GOING CONCERN (continued)

The Company had a net loss of $654,078 for the three month period ended March 31, 2015 (2014 - $61,453) and has an accumulated deficit of $4,908,010 (2013 - $4,253,932) which has been funded primarily by the issuance of equity. The Company does not generate cash flows from operations and accordingly the Company will need to raise additional funds through future issuances of securities or debt financing. Although the Company has raised funds in the past, there can be no assurance the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. It is not possible to predict whether financing efforts will be successful or if the Company will attain a profitable level of operations.

The Company's ability to continue as a going concern is uncertain and is dependent upon developing exploration and evaluation assets, the ability to obtain operating license for the medical marijuana business, obtaining additional financing, or maintaining continued support from its shareholders and creditors. The outcome of these matters cannot be predicted at this time and in the event that they do not occur, the carrying value of the Company's assets may be adversely affected. These factors may cast significant doubt on the Company's ability to continue as a going concern.

These condensed consolidated interim financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a forced liquidation. These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). ") These condensed consolidated interim financial statements prepared in conjunction of with the Company Annual audited financial statements for the year ended December 31, 2014, which is first annual financial statements presented in accordance with IFRS. As such, these condensed interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 "*Interim financial Reporting*".

These condensed consolidated interim financial statements were approved and authorized for issuance by the Company's Board of Directors on June 9, 2015.

(b) Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified for specific financial instruments carried at fair value where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted. Certain comparative figures may have been reclassified to conform to the current year's presentation.

2. BASIS OF PRESENTATION (continued)

(c) Consolidation

These condensed consolidated interim financial statements for the period ended March 31, 2015 include the accounts of Matica and its 100% owned subsidiaries, 1022607 B.C. Ltd. ("Subco1"), 1022608 B.C. Ltd. ("Subco2"), 1024250 B.C. Ltd. (Subco3), and Ravenline Exploration Ltd. (Subco4). Subco1, Subco2, and Subco3 were incorporated under the Business Corporations Act (British Columbia) and Subco4 was incorporated under the Business Corporations Act (Ontario); All for the purpose of a Plan of Arrangement. There were no significant transactions incurred by the subsidiaries for the period ended March 31, 2015.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Measurement basis

These condensed consolidated interim financial are prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3(k). All amounts are expressed in the Company's functional currency which is the Canadian dollar unless otherwise stated.

(b) Cash and cash equivalents

The Company considers deposits with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired to be cash equivalents.

(c) Exploration and evaluation assets

(i) Acquisition of exploration and evaluation assets

The Company capitalizes the direct costs of acquiring mineral property interests. Option payments are considered acquisition costs if the Company has the intention of exercising the underlying option.

From time to time, the Company acquires and disposes of mineral property interests pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as mineral property costs (recoveries) when payments are made or received until the original cost is recovered and after which subsequent recoveries are credited to profit or loss.

(ii) Exploration and evaluation costs

The Company capitalizes exploration and evaluation expenses at cost for expenditures incurred after it has obtained legal rights to explore a specific area and before technical feasibility and commercial viability of extracting mineral resources are demonstrable.

All direct and indirect costs relating to the exploration of specific properties with the objective of locating, defining and delineating mineral reserves on specific properties are capitalized as exploration and evaluation assets. Government assistance, mining duty credits and optionee commitments from farmed-out mineral property interests are applied against exploration and evaluation assets when they are received.

3. SIGNIFICANT ACCOUNTING POLICIES

c) Exploration and evaluation assets (continued)

(ii) Exploration and evaluation costs

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefit either from future exploration or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management makes certain estimates and assumptions about future events or circumstances, in particular when an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available. Exploration and evaluation expenditures are evaluated annually and then reclassified as mineral properties upon completion of technical feasibility and commercial viability.

d) Reclamation and restoration

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period it is incurred with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, amortization and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and amortization of the related asset. As at March 31, 2015, the Company did not have any reclamation and restoration obligations.

e) Impairment

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication of impairment. If any indication exists, then the asset's recoverable amount is estimated to determine the extent of the impairment, if any. The recoverable amount of an asset is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

An impairment loss is recognized in operations if the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

g) Share issuance costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be more likely than not. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

h) Investments in associates

An associate is an entity over which the Company has significant influence but not control. Investments in associates are accounted for using the equity method. Under the equity method, the investment is carried in the statements of financial position at cost and is adjusted for the Company's share of the associate's profit or loss subsequent to the investment. Losses are recorded to the extent of the carrying amount of the investment; losses in excess of the carrying amount of the investment are not recognized until the Company makes additional investments in the associate or until positive earnings are achieved by the associate and the Company's share of profits equals its share of losses not previously recognized. Additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred obligations to provide funding to the associate.

i) Impairment of long-lived assets

Long-lived assets are reviewed by management for possible impairment annually or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flow expected to result from the use of the asset and its eventual disposition.

j) Foreign Currency Translation

The reporting currency of the Company is the Canadian dollar.

The functional currency of the Company and its wholly owned subsidiaries is also the Canadian dollar.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments

All financial assets are initially recorded at fair value and classified into one of four categories: held to maturity, available for sale, loans and receivable or at fair value through profit or loss ("FVTPL"). Transactions costs associated with FVTPL 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 liabilities are initially recorded at fair value less directly attributable transaction costs and classified as either at FVTPL or other financial liabilities.

Financial instruments comprise cash and cash equivalents, accounts payable and due to related parties. At initial recognition management has classified financial assets and liabilities as follows:

(i) Financial assets

The Company has classified its cash and cash equivalents as FVTPL. A financial instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial instruments at FVTPL are measured at fair value and changes therein are recognized in profit or loss.

(ii) Financial liabilities

The Company has classified its accounts payable and due to related parties as other financial liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(l) Share-based payments

The Company accounts for share-based payments awards granted to employees, directors and consultants at the fair value of the equity instruments at grant date. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest, using the Black-Scholes option pricing model. The amount recognized as expense is adjusted to reflect the number of share options expected to vest at each reporting period.

(m) Flow-through shares

The proceeds from offering of flow-through shares are allocated between the shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the market value of the shares and the amount the investors pay for the flow-through shares. A liability is recognized for the premium paid by the investors and is then recognized in the results of operations in the period the eligible exploration expenditures occurred. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through shares premium liability will be reversed. In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing qualifying expenditures, the realization of the deductible temporary differences will be shown as a recovery in profit or loss in the period of renunciation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Current and deferred income taxes

Income tax expense comprises current and deferred tax and is recognized in operations except to the extent that it relates to business combinations, or items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for temporary differences in assets and liabilities arising in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, transactions relating to investments in jointly controlled entities to the extent that they will not reverse in the foreseeable future, and transactions arising on the initial recognition of goodwill. Deferred tax is recognized at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

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

(o) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive. The weighted average number of common shares outstanding is adjusted retrospectively for changes in capitalization such as share splits, reverse splits, or cancellations without consideration.

(p) Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from those estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Significant accounting judgments, estimates and assumptions (continued)

The areas which require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

Exploration and Evaluation Expenditures
The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Impairment
The carrying value of non-financial assets is reviewed each reporting period upon the occurrence of events or changes in circumstances indicating that the carrying value of assets may not be recoverable and when criteria of assets held for sale are met to determine whether there is any indication of impairment. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is recognized in profit or loss. The assessment of fair values, including those of the cash generating units (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets) ("CGUs") for purposes of testing impairment, require the use of estimates and assumptions for recoverable production, long-term commodity prices, discount rates, foreign exchange rates, future capital requirements and operating performance. Changes in any of the assumptions or estimates used in determining the fair value of non-financial assets could impact the impairment analysis.

Title to Mineral Properties
Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Decommissioning Liabilities
The Company's provision for decommissioning liabilities represents management's best estimate of the present value of the future cash outflows required to settle estimated reclamation and closure costs at the end of a mine's life. The provision reflects estimates of future costs, inflation, movements in foreign exchange rates and assumptions of risks associated with the future cash outflows, and the applicable risk free interest rates for discounting the future cash outflows. Changes in the above factors can result in a change to the provision recognized by the Company.

Share-Based Payments
Management uses valuation techniques in measuring the fair value of share options granted. The fair value is determined using the Black Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of the share options, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions could have a material impact on the Company's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Significant accounting judgments, estimates and assumptions (continued)

Contingency
The Company estimates the amount of contingency due to the incompliance of the expenditure obligation on the flow-through shares issued in 2012. Consequently, the Company is subject to the interest and penalties from Canada Revenue Agency. In addition, the Company estimates the costs of indemnification from these flow-through share subscribers for taxes and penalties that may arise from their personal tax returns.

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments with a significant risk of material adjustment in the next year.

Deferred Income Taxes
Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred tax assets are to be recognised in the consolidated statement of financial position. Deferred tax assets, including those potentially arising from un-utilised tax losses, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods, in order to recognise deferred tax assets. Assumptions about the generation of future taxable income depend on management's estimates of future operations and cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize deferred tax assets or offset these against any deferred tax liabilities recorded at the reporting date could be impacted.

Going Concern
The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

Investment in Associates
The determination whether the Company has significant influence and not control or power over associated companies requires management judgment (see Note 4).

(q) Adoption of new pronouncements

The Company adopted the following accounting policies effective January 1, 2014:

IAS 32 *Financial Instruments: Presentation* - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Adoption of new pronouncements (continuted)

IFRIC *21 Levies* - IFRIC 21 was issued in May 2013 and provides an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets ("lAS 37"), on the accounting for levies imposed by governments. lAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past activity or event ("obligating event") described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 2014.

Amendments to IAS 36 *Impairment of Assets* - lAS 36 was amended in May 2013 which restricts the requirement to disclose the recoverable amount of an asset or cash generating unit ("CGU") to periods in which an impairment loss has been recognized or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less cost of disposal. The amendments are effective for annual periods beginning on or after January 2014 and should be applied retrospectively.

The adoption of the above new standards and the amendments to other standards did not have a significant impact on the Company's consolidated financial statements.

(r) New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The following standard will be effective for annual periods beginning on or after January 1, 2015:

IAS 1 *Presentation of Financial Statements* - In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

IAS 16 *Property, Plant and Equipment* and IAS 36 *Intangible Assets* - In May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The following standard will be effective for annual periods beginning on or after January 1, 2018:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) New standards and interpretations not yet adopted (continued)

IFRS 9 *Financial Instruments*- IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for annual periods beginning on or after January 2018 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

The extent of the impact of adoption of these standards and interpretations on the consolidated financial statements of the Company has not been determined.

4. INVESTMENT IN ASSOCIATES

a) THC Dispensaries Canada, Inc. (“THCD”)

In October 2014 the Company entered into an Investment Agreement (the “THCD Agreement”) with THCD and the sole shareholder of THCD (the “Vendor”) to acquire a 50% ownership interest in THCD. THCD is a private company incorporated under the laws of Nova Scotia. THCD’s intended business is to provide dried marijuana, seeds, and organic soil to dispensaries throughout North America and Europe. THCD is in the process of applying to become a licensed producer under the Marijuana for Medical Purposes Regulation (“MMPR”) program. Since its incorporation in September 2014, THCD has been making improvements to the electronic security systems to a leased facility in compliance with the requirements of Health Canada’s Directive on Physical Security Requirements for Controlled Substances.

To obtain the 50% ownership interest, the Company agreed to pay $1,500,000 and issue 5,000,000 common shares of the Company to THCD. The Company also issued 325,000 common shares at fair value of $32,500 as a finders’ fee.

(Expressed in Canadian Dollars)

4. INVESTMENT IN ASSOCIATES (continued)

a) THC Dispensaries Canada, Inc. ("THCD") (continued)

	Amount	Share Issuance
		#
On or by October 21, 2014 (paid and issued)	$325,000	1,000,000
On the date a producer licence is issued by Health Canada	$1,175,000	4,000,000
Total	$1,500,000	5,000,000

Pursuant to the THCD Agreement, THCD's Board will comprise five directors, two to be appointed by the Company and three by the Vendor. Based on the Board's composition, management determined that the Company has significant influence but not control of THCD. As a result, the investment in THCD was accounted for using the equity method.

The investment in THCD consists of the followings:

	March 31, 2015	December 31, 2014
	$	$
Fair value of 1,000,000 common shares issued	130,000	130,000
Cash paid	525,000	325,000
Shares issued for finders fee	32,500	32,500
Professional fee (Note 11)	16,250	16,250
Initial investment at cost	703,750	503,750
Share of loss of THCD's operations	(80,427)	(39,703)
	623,323	464,047

The assets and liabilities of THCD as at March 31, 2015 and December 31, 2014 and the loss for the period from January 1, 2015 to March 31, 2015 and September 12, 2014 to December 31, 2014 are summarized as follows:

	March 31, 2015	December 31, 2014
	$	$
Current assets	223,295	158,167
Construction in progress	397,607	285,808
License application costs	558,140	558,140
Non-current assets	955,747	843,948
TOTAL ASSETS	1,179,042	1,002,115
Current liabilities	219,426	161,051
Non-current liabilities - Deferred income tax liabilities	59,220	59,220
TOTAL LIABILITIES	278,646	220,271
Net loss and comprehensive loss for the period	81,447	79,406

THCD has a lease for its facility from a company controlled by the Vendor for five years from October 1, 2014 to September 30, 2019, which is renewable for an additional five years. Annual rent of $74,400 is to be paid and will be increased by 7.5% annually starting October 1, 2016.

4. INVESTMENT IN ASSOCIATES

a) THC Dispensaries Canada, Inc. (“THCD”) (continued)

For the period ending March 31, 2015, the Company advanced $200,000 to THCD for the purchase of HVAC equipment required in preparation for the pre-licensing inspection by Health Canada (See Note 12).

b) Chlorine Dioxide Tablets Marketing and Distribution Project

In November 2014 the Company entered into an option Agreement with Bellerosa Distributing Ltd. (“Bellerosa”) (the “ Bellerosa Project”) to acquire a 60% interest in a business to market and distribute chlorine dioxide tablets for use in the medical marijuana growing industry as a natural cleaning or sanitizing product without the use of pesticides or fungicides. The Company agreed to issue 4,000,000 common shares to Bellerosa for access to Bellerosa’s research and investigation of the viability of the tablet and acquisition of the 60% interest in the project. The Company will have the right to market and distribute the chlorine dioxide tablets under the Bellerosa Project. The Company agreed to issue 400,000 common shares of the Company as a finder’s fee relating to the Bellerosa Project. Bellerosa is a company incorporated under the laws of British Columbia and is a marketer and distributor of the chlorine dioxide tablets. Two of the directors of Bellerosa are brothers of the Company’s Chief Financial Officer (“CFO”).

Pursuant to the Bellerosa Project, a five member management committee is to be established, three of which are to be appointed by the Company and two by Bellerosa. Based on the management committee’s composition, management determines that the Company would have control of the project.

During the year ended December 31, 2014, the Company issued 4,000,000 common shares at a fair value of $360,000 and accrued $40,000 in finder’s fees for the Bellerosa Project, totalling $400,000. A legal entity has yet to be incorporated and the operations have yet to commence. $400,000 was expensed as product research and investigation costs in 2014. In January 2015, the Company issued 400,000 common shares to four individuals as settlement of the $40,000 of finder’s fees

Of the 4,000,000 common shares issued for the Bellerosa Project, 1,500,000 shares were issued to a director of Bellerosa who is a brother of the Company’s CFO.

c) ChroniCare Project

In June 2014, the Company signed a letter of intent (“LOI”) with ChroniCare Canada Inc. (“ChroniCare”) to establish a licensed marijuana growing operation. In July 2014, the Company signed an agreement with ChroniCare and paid $50,000 refundable advance to ChroniCare which would be applied to any future payments the Company would make to ChroniCare pursuant to the aforementioned LOI and any ensuing agreement thereof. In August 2014, the binding provisions of the LOI were terminated as the parties had not reached a definitive agreement. As at December 31, 2014, the Company wrote off the $50,000 deposit to net loss as the collection of the amount is uncertain.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

	Grumpy Lizard, Nevada	Buckingham North, Quebec	Galaxy Graphite, Quebec	Maniwaki West, Quebec	Total
Balance, December 31, 2013	-	137,191	-	80,000	217,191
Acquisition costs	352,693	50,000	12,000	-	414,693
Exploration costs					
Geological & engineering	-	430	-	-	430
Impairment	-	-	(12,000)	(80,000)	(92,000)
Balance, December 31, 2014	352,693	187,621	-	-	540,314
Acquisition costs	-	-	-	-	-
Exploration costs					-
Geological & engineering	8,807	-	-	-	8,807
Impairment	-	-	-	-	-
Balance, March 31, 2015	361,500	187,621	-	-	549,121

(a) Grumpy Lizard, Nevada

In January 2014, the Company entered into a Letter of Intent ("LOI") to acquire a 100 percent interest in the new graphite project in northwest Nevada, USA, known as the Grumpy Lizard property ("Grumpy Lizard"). The Company paid a deposit of $5,670 and incurred expenses of $15,736 related to this LOI. The LOI expired in April 2014. The deposit and expenses totalling $21,406 were expensed as a general exploration expense in 2014.

In September 2014, the Company entered into a property option and royalty agreement to acquire a 100 percent interest in the Grumpy Lizard with the same optionor. The Grumpy Lizard property comprises 96 claims totalling 1,920 acres. As consideration, the Company paid $57,291 and issued 3,400,000 common shares at a fair value of $272,000. The Company also incurred $23,403 in staking costs relating to the property. All of these costs were capitalized to exploration and evaluation assets as described below pursuant to terms of the agreement.

	Amount	Share Issuance
		#
On signing of the formal agreement on or before September 16, 2014 (paid and issued)	$7,310	3,400,000
On signing of the formal agreement on or before September 16, 2014 (Paid)	$15,736	-
On or before October 16, 2014 (paid)	$34,245	-
Total	$57,291	3,400,000

The property is subject to a 2.5% royalty based on any and all materials sold from the Property.

5. EXPLORATION AND EVALUATION ASSETS (continued)

(b) Buckingham North Property

In January 2014, the Company issued 1,000,000 common shares at a fair value of $50,000. The fair value of $0.05 per share was determined based on the quoted market price at the time the shares were issued.

Management intends to renegotiate the required cash payments to the optioner and the properties are otherwise still in good standing.

(c) Galaxy Graphite, Quebec

In May 2014, the Company entered into a Property Option and Royalty Agreement to acquire a 100 percent interest in the Galaxy Graphite project in Quebec. The Company issued 300,000 common shares at a fair value of $12,000 as consideration for the property. The fair value of these shares was based on the quoted market price at the time the shares were issued.

During the year ended December 31, 2014, management determined not to pursue any further exploration in the property. Accordingly, the $12,000 deferred acquisition costs incurred on this property were written off as impairment expenses in 2014.

(d) Maniwaki West Property, Quebec

In July 2013, the Company entered into an option agreement with JP & Associates Inc. to acquire a 100 percent interest in a rare earth project (the “Maniwaki West Project”) located north of Ottawa/Gatineau near the town of Maniwaki in the Province of Quebec. The Maniwaki West Property comprises 24 permits totalling 14.23 km^2. To earn the 100 percent interest, the Company agreed to issue 2,000,000 common shares of the Company upon signing of the option agreement and to make a payment of $10,000 (not paid).

In August 2013, the Company issued 2,000,000 common shares at a fair value of $80,000. During 2014, management determined not to pursue any further exploration in the property. The $80,000 deferred acquisition costs incurred were written off as an impairment expense in 2014.

6. SHARE CAPITAL

(a) Authorized

An unlimited number of common shares without par value.

(b) Issued and outstanding

<u>Shares issuance for the year ended December 31, 2014:</u>

In January 2014, pursuant to the Buckingham North property agreement, the Company issued 1,000,000 common shares at fair value of $50,000 (see Note 5(b)).

In May 2014, pursuant to the Galaxy Graphite property agreement, the Company issued 300,000 common shares at a fair value of $12,000 (see Note 5(c)).

6. SHARE CAPITAL (continued)

(b) Issued and outstanding (continued)

Shares issuance for the year ended December 31, 2014 (continued):

In July 2014, the Company closed a private placement of 9,130,000 units at a price of $0.05 per unit for gross proceeds of $456,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of $0.07 per share for a period of eighteen month. The consideration received was all allocated to the common shares and no value was allocated to the warrants. Of the 9,130,000 units, 2,730,000 units were issued for settlement of $110,500 owed to related parties and $26,000 owed to vendors, totalling $136,500. The Company also issued 609,000 common shares as finder's fees for a fair value of $30,450.

In July 2014, the Company issued 150,000 units at $0.14 per unit to settle an amount of $21,000 owed to a vendor. Each unit consisted of one common share and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of $0.07 per share for a period of eighteen month. The $21,000 was all allocated to the common shares and no value was allocated to the warrants because the warrants had no intrinsic value at the time of issue.

In October 2014, pursuant to the Grumpy Lizard property agreement, the Company issued 3,400,000 common shares at fair value of $272,000 (see Note 5(a)).

In November 2014, the Company closed a private placement of 8,030,000 units at a price of $0.10 per unit for gross proceeds of $803,000. Each unit consisted of one common share and one-half of common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of $0.15 per share for a period of eighteen month. The consideration received was all allocated to the common shares and no value was allocated to the warrants because the warrants had no intrinsic value at the time of issue. Of the 8,030,000 units, 2,530,000 units were issued for settlement of $100,000 owed to related parties and $153,000 owed to vendors, totalling $253,000. The Company incurred cash commission of $43,040 and issued 48,000 warrants at a fair value of $1,730 as finder's fees. These warrants have the same term and exercise price as the private placement warrants.

Also in November 2014, the Company issued 1,000,000 common shares at a fair value of $130,000 pursuant to the THCD investment agreement and 325,000 common shares were issued at a fair value of $32,500 as a finder's fee for the THCD transaction (see Note 4 (a)).

In November 2014, the Company also closed a private placement of 1,642,500 units at a price of $0.10 per unit for gross proceeds of $164,250. Each unit consisted of one common share and one-half of common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of $0.15 per share for a period of eighteen month. The consideration received was all allocated to the common shares and no value was allocated to the warrants because the warrants had no intrinsic value at the time of issue. Of the 1,642,500 units, 230,000 units were issued for settlement of $23,000 owed to vendors. The Company incurred a cash commission of $8,800 and issued 64,000 warrants at a fair value of $4,923 as a finder's fee. These warrants have the same term and exercise price as the private placement warrants.

In December 2014, the Company issued 4,000,000 common shares at fair value of $360,000 pursuant to the Bellerosa Project (see Note 4 (b)).

During the year ended December 31, 2014, 2,397,381 common shares were issued on exercise of warrants for gross proceeds of $182,450.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(b) Issued and outstanding (continued)

During the year ended December 31, 2014, 550,000 common shares were issued on exercise of options for gross proceeds of $55,000.

Shares issuance for the period ended March 31, 2015:

In January 2015, the Company issued 400,000 to four individuals as finder fees for the agreement with Bellerosa. The $40,000 fair value relating to these finders fees was included in accounts payable at December 31, 2014.

In March 2015, the Company closed on 9,702,275 units in a first tranche of the brokered private placement offering of units of the Company at a price of $0.08 per Unit. For the units issued the Company received cash of $402,182, services provided by management valued at $100,000 and debt settlement in the amount of $274,000, of which $194,000 is for marketing and promotion services to be provided during the 2015 fiscal year.

The Company paid JSI, the agent on the private placement, a commission of $15,315 representing 3% to 8% of the funds raised in connection with the offering and issued 65,000 broker warrants equal to 8% of the units issued to subscribers introduced by JSI.

Also in March 2015 the Company closed on 3,975,000 units in the second tranche of the brokered private placement offering at a price of $0.08 per unit. For the units issued, the Company received cash of $142,000 and debt settlement in the amount of $176,000, of which $160,000 is for marketing and promotion services to be provided during the 2015 fiscal year.

The Company paid JSI, the agent on the private placement, a commission of $9,410 representing 3% to 8% of the funds raised in connection with the offering and issued 103,000 broker warrants equal to 8% of the units issued to subscribers introduced by JSI.

(c) Share purchase warrants

A summary of the changes in the Company's warrants as at March 31, 2015 and December 31, 2014 is presented below:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2013	5,819,314	0.08
Issued	14,078,250	0.10
Exercised	(2,397,381)	0.08
Expired/cancelled	(1,595,933)	0.08
Balance, December 31, 2014	15,904,250	0.10
Issued	13,845,275	0.15
Exercised	(960,000)	0.07
Balance, March 31,2015	28,789,525	0.12

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(c) Share purchase warrants

The following table summarizes the share purchase warrants outstanding and exercisable as at March 31, 2015:

Exercise price	Expiry date	Number of warrants
$0.07	01/08/16	8,090,000
$0.15	05/07/16	4,047,000
$0.15	05/21/16	901,250
$0.07	06/10/16	1,366,000
$0.11	06/10/16	540,000
$0.15	03/07/18	9,767,275
$0.15	03/27/18	4,078,000
		28,789,525

As at March 31, 2015, 28,789,525 warrants (2014 – 16,054,250 warrants) with a weighted average remaining contractual life of 3.49 years (2014 - 1.18 years) were outstanding and exercisable, entitling the holders thereof the right to purchase one common share for each whole warrant held.

The followings assumptions were used for the Black-Scholes option pricing model calculation for calculating the issue date values for the finders' fee warrants issued in 2015 and 2014:

Issue date	March 6, 2015	March 26, 2015	November 7, 2014	November 21, 2014
Share price	$0.15	$0.15	$0.09	$0.14
Risk free interest rate	3.70%	4.00%	0.98%	0.99%
Expected life	3 years	3 years	1.5 years	1.5 years
Expected volatility	100%	100%	123%	126%
Expected dividend yield	0%	0%	0%	0%
Forfeited rate	0%	0%	0%	0%
Fair value	$0.09	$0.09	$0.04	$0.08

(d) Stock options

The Company has an incentive share option plan for granting options to directors, employees and consultants, under which the total outstanding options are limited to 10% of the outstanding common shares of the Company at any one time. Under the plan, the exercise price of an option shall not be less than the market price at the time of granting, or as permitted by the policies of the Exchange. Options granted are non-transferable and may not exceed a term of five years from the grant date. Vesting is as determined by the directors at the time of grant.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(d) Stock options (continued)

A summary of the changes in the Company's stock options as of March 31, 2015 and December 31, 2014:

	Number of Options	Weighted Average Exercised Price $
Balance, December 31, 2013	1,050,000	0.10
Options granted	3,950,000	0.10
Option exercised	(550,000)	0.10
Balance, December 31, 2014	4,450,000	0.10
Options granted	2,700,000	0.11
Option exercised	(825,000)	0.10
Balance, March 31, 2015	6,325,000	0.10

<u>Options issuance for the year ended December 31, 2014:</u>

In June 2014, the Company granted 2,350,000 options to directors, officers and consultants. The total fair value of these options was $178,944, of which $83,761 was recorded as marketing expense, $32,362 as consulting expense, $22,844 as director's fees and $39,977 as share-based compensation.

In July 2014, the Company granted 950,000 options to directors, officers and consultants. The total fair value of these options was $68,105, of which $39,429 was recorded as marketing expense, $14,338 as consulting expense, $7,169 as accounting fees and $7,169 as share-based compensation.

In October 2014, the Company granted 650,000 options to vendors. The total fair value of these options was $50,230, recorded as marketing expense.

<u>Options issuance for the period ended March 31, 2015:</u>

On February 18, 2015, the Company granted 2,200,000 stock options to directors, officers and consultants. The options are exercisable at a price of $0.105 per share for a period of five years expiring in February 2020. The options vested immediately on the grant date. 1,200,000 were issued to the marketing consultants. $90,466 is recorded under marketing and promotion. 1,000,000 were issued to the Company's officers. $75,389 is recorded under stock base compensation.

On February 27, 2015, the Company granted 700,000 stock options to marketing consultants. The options are exercisable at a price of $0.125 per share for a period of five years expiring in February 2020. 200,000 of these stock options were cancelled subsequent to March 31, 2015. $45,305 is recorded under marketing and promotion.

For purposes of the calculation, the following weighted average assumptions were used under the Black-Scholes model:

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (continued)

(d) Stock options (continued)

	2015	2014
Share price	$0.11	$0.10
Risk free interest rate	3.74%	1.60%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	100.00%	115.00%
Expected life of options	5 years	5 years
Forfeited rate	0.00%	0.00%

The weighted average grant date fair value of stock options granted in 2015 was $0.11 (2014 - $0.08).

As at March 31, 2015, 6,900,000 options with a weighted average remaining contractual life of 4.23 years (2014 – 4.23 years) were outstanding and exercisable, entitling the holders thereof the right to purchase one common share for each option held.

7. RELATED PARTY TRANSACTIONS

The following is a summary of transactions with directors and officers, and companies controlled by directors of the Company**:**

Due from related parties is comprised of amounts advanced to directors and officers of $40,280 as compared to $29,720 due from directors and officers at December 31, 2014. These amounts are unsecured, due on demand and non-interest bearing.

During the year ended December 31, 2014, the Company issued 2,210,000 units at $0.05 per unit and 1,000,000 units at $0.10 per unit to various officers for settlement of $210,500 owed to them (see Note 6(b)).

During the period ended March 31, 2015, the Company issued 1,250,000 units at $0.08 per unit to various officers for settlement of $50,900 owed to them (see Note 6(b)).

Key Management Compensation

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-terms benefits and termination benefits were made as of March 31, 2015 and December 31, 2014. Short-term key management compensation for March 31, 2015 and 2014 are as follow:

	March 31, 2015	March 31, 2014
	$	$
Director fees, paid to a Company with a common director	3,000	-
Management fees, paid to officers and directors	54,500	34,500
Share-based compensation to officers and directors	75,389	-
Total key management compensation	132,889	34,500

8. MANAGEMENT OF CAPITAL

The Company's objective for capital management is to safeguard its ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties, obtain the necessary licenses from the government for the medical marijuana business and support any expansionary plans.

The Company seeks to manage capital to provide adequate funding for its projects while minimizing dilution for its existing shareholders. The Company defines capital as shareholders' equity. As the Company has no practical ability presently to raise money by long term or other debt, for practical purposes all of its capital management is directed towards management of its equity, warrant and option issuances. There is thus very limited flexibility in its capital management. The Company is not subject to any externally imposed capital requirements.

9. FINANCIAL INSTRUMENTS AND RISK

Classification

Financial instruments are classified into one of five categories: fair value through profit or loss ("FVTPL"), held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and accounting for changes in the values of these investments will depend on their initial classification as follows: FVTPL financial assets are measured at fair value with changes in fair value recognized in operations. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the change in value is realized or the instrument is derecognized or permanently impaired.

The Company has classified its cash and cash equivalents as FVTPL. Accounts payable and due to related parties are classified as other financial liabilities.

The following table summarizes the carrying values of the Company's financial instruments:

	March 31, 2015	December 31,2014
	$	$
FVTPL (i)	118,496	119,594
Other financial liabilities (ii)	292,883	299,407

(i) Cash and cash equivalents
(ii) Accounts payable and due to related parties

Fair value

As at March 31, 2015, the Company's financial instruments consist of cash and cash equivalents, accounts payable and due to related parties. The fair values of these financial instruments approximate their carrying values because of their current nature.

IFRS 7 "Financial Instruments – Disclosures", requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. IFRS 7 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 7 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

9. FINANCIAL INSTRUMENTS AND RISK (continued)

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The Company's financial instruments measured at fair value on a recurring basis at March 31, 2015 are as follows:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash and cash equivalent	118,496	-	-	118,496

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk on cash the Company places the instrument with a financial institution.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by monitoring adequate cash balance to meet its short-term general and administrative expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed Commercial Paper or similar instruments.

At March 31, 2015, the Company had cash balance of $118,496 and short term liabilities of $292,883.

Foreign exchange risk

The Company does not have any foreign exchange risk as all of its transactions are in Canadian dollars.

Interest rate risk

The Company manages its interest rate risk by obtaining the best commercial deposit interest rates available in the market by the major Canadian financial institutions.

10. COMMITMENTS

a. In September 2014, the Company signed a consulting agreement with Marketplace Financial Inc. ("MPF") for consulting service related to the acquisition of early stage medical marijuana projects and opportunities in Canada. The Company agreed to remunerate MPF for these services as follows:

   i) Issuance of Company common shares to MPF upon successful completion of an acquisition transaction equivalent to 10% of each transaction;

   ii) A cash payment equal to 5% of cash invested in each successfully completed acquisition transaction; and

(Expressed in Canadian Dollars)

10. COMMITMENTS (continued)

iii) A monthly retainer of $10,000 (plus applicable taxes) per month for 5 months until February 2015, to be applied to ii) above.

During the year ended December 31, 2014, the Company signed the THCD Investment Agreement (Note 4(a)). According to the agreement, the Company paid $30,000 and issued 325,000 common shares at a fair value of $32,500 to MPF in relation to the THCD Investment Agreement, recorded as investment in THCD of $48,750 and prepaid expense of $13,750.

b. The Company entered into a rental agreement for its office space in Toronto for the period from November 1, 2014 to February 1, 2020. The annual rental commitment is $30,245 for years one and two and $31,796 for year's three to five.

c. In November 2014, the Company entered into a financing and advisory agreement with Jacob Securities Inc. ("JSI") to arrange an equity financing of up to $10 million and to provide other related financing services. The agreement will terminate in November 2015 and may be extended on mutual agreement. In accordance with the agreement, the Company is committed to the following payments:

	Amount	Share Issuance
	$	
1) Monthly advisory fee of $5,000 (plus HST) payable on the 1st of each month for a period of 9 months beginning on November 20, 2014. *($10,000 paid)*	$45,000	-
2) One time advisory fee consisting of 2,500,000 common shares of the Company following the successful closing of the financing *(not issued)*		2,500,000
Total	$45,000	2,500,000

The Company is also committed to paying a 7% cash commission to JSI on gross proceeds raised from sources of capital not found on the presidents list and 3% cash commissions to JSI on gross proceeds raised by sources of capital found on the presidents list. No financings were closed by JSI as at December 31, 2014. The agreement was superseded by a later agreement (see Note 14 (c)).

d. In December 2014, the Company entered into a letter of intent with Ludwig Industrial Solutions Limited ("Ludwig") for the Company to acquire all the issued and outstanding shares of Ludwig subsequent to and subject to completion of a plan of arrangement under the Business Corporations Act (see Note 14).

e. In December 2014, the Company entered into a non-binding letter of intent with 2426702 Ontario Inc. ("THCO") for the Company to purchase a 100% ownership interest in THCO. The Company agreed to pay $250,000 cash to THCO upon signing of a definitive agreement, and on receipt of approval by the CSE a share exchange where the Company will issue 20,000,000 of the Company's common shares for all the issued and outstanding shares of THCO. As at December 31, 2014, no definitive agreement had been signed with THCO and no consideration was made or owed.

f. Pursuant to the investment agreement entered in October 2014, the Company is committed to the payment and share issuance required to acquire the 50% ownership interest of THCD as described in Note 4(a).

(Expressed in Canadian Dollars)

10. COMMITMENTS (continued)

g. The Company is committed to certain cash payments under the exploration and evaluation option agreements described in Note 5.

11. SEGMENT DISCLOSURE

Geographic Information

The Company's E&E assets March 31, 2015 and December 31, 2014 were based on two geographic areas as follows:

	Canada	United States	Total
	$	$	$
As at March 31, 2015	187,621	361,500	549,121
As at December 31, 2014	187,621	352,694	540,315

Operating Segments

As at March 31, 2015, the Company operates primarily in two reporting segments, being the mining industry and medical marijuana. The medical marijuana segment has not commenced operations as at March 31, 2015.

	Exploration	Medical Marijuana	General / Administration	Total
	$	$	$	$
Deposit	-	-	7,111	7,111
Investments in associates	-	623,323	-	623,323
Exploration and evaluation assets	540,315	-	-	540,315
Accounts payable and accrued liabilities	-	-	(287,000)	(287,000)
Flow-through renounciation obligation	(135,046)	-	-	(135,046)

12. SUBSEQUENT EVENTS

In April 2015, the Company advanced an additional $40,000 to THCD for costs related to the purchase of HVAC equipment required in preparation for the pre-licensing inspection by Health Canada. The Company also issued 300,000 common shares at a fair value of $17,700 as prepayment of consulting fee relating to the investment in THCD.

In April 2015, one of the Company's director resigned, as a result, 200,000 options were cancelled subsequent to March 31, 2015 (Note 6 (d)).

In April 2015, 1,020,000 common shares were issued on exercise of warrants for cash proceeds of $71,400,

In April 2015, 850,000 common shares were issued on exercise of stock options for cash proceeds of $65,500.

In May, 2015, the Company issued 300,000 common shares at a fair value of $17,700 as prepayment of consulting fees relating to the investment in THCD (Note 10 a)).

12. SUBSEQUENT EVENTS (continued)

In May 2015, the Company granted 1,500,000 stock options to consultants. The options are exercisable at a price of $0.07 per share for a period of five years expiring in May 2020. The options vested immediately on the date of grant.

On May 4, 2015, the Ontario Securities Commission issued a Temporary Management Cease Trading Order for failure to timely file the Company's December 31, 2014 annual filings. This order expired and was replaced by a Permanent Management Cease Trade Order on May 15, 2015 which is subject to termination two business days after completion of the required filings. The annual filings were completed on June 3, 2015.