Herbal Clone Bank Canada Inc.

(Formerly Infinity Minerals Corp.)

Consolidated Financial Statements

For the Period from Incorporation on November 8, 2013 to August 31, 2014

(Expressed in Canadian Dollars)

MORGAN & COMPANY LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Herbal Clone Bank Canada Inc.
(Formerly Infinity Minerals Corp.)

Report on the financial statements

We have audited the accompanying consolidated financial statements of Herbal Clone Bank Canada Inc. (formerly Infinity Minerals Corp.), which comprise the statement of financial position as at August 31, 2014 and the statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the period from incorporation, November 8, 2013 to August 31, 2014, 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, 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 audit. We conducted our audit 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 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 Herbal Clone Bank Canada Inc. (formerly Infinity Minerals Corp.) as at August 31, 2014 and its financial performance and its cash flows for the period from incorporation, November 8, 2013 to August 31, 2014 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada — *"Morgan & Company LLP"*

December 29, 2014 — Chartered Accountants

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PO Box 10007, 1488 – 700 West Georgia Street, Vancouver, British Columbia, Canada V7Y 1A1
Tel: (604) 687 – 5841 Fax: (604) 687 – 0075 Email: info@morgancollp.com
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Herbal Clone Bank Canada Inc.
(Formerly Infinity Minerals Corp.)
Consolidated Statement of Financial Position
(Expressed in Canadian dollars)

	As at August 31, 2014
ASSETS	
Current assets	
Cash	$ 227,685
Term deposit	617,563
Accounts receivable	6,856
Loan receivable (Note 4)	75,505
GST recoverable	24,763
Prepaid expenses	91,831
Total current assets	1,044,203
Non-current assets	
Equipment (Note 5)	2,334
TOTAL ASSETS	$ 1,046,537
LIABILITIES	
Current liabilities	
Trade payables and other accrued liabilities	$ 158,608
Loan payable (Note 7)	70,034
Customer deposits and Unearned revenue	67,000
Due to related parties (Note 9)	175,647
Total current liabilities	471,289
SHAREHOLDERS' EQUITY	
Share capital (Note 8)	6,175,275
Reserve	(212,493)
Deficit	(5,387,534)
TOTAL SHAREHOLDERS' EQUITY	575,248
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,046,537

These consolidated financial statements were approved and authorized for issue by the Board of Directors on December 29, 2014.

On behalf of the Board of Directors:

"Ron Shenton" Director *"Brian Roberts"* Director

Herbal Clone Bank Canada Inc.
(Formerly Infinity Minerals Corp.)
Consolidated Statement of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	From Incorporation, November 8, 2013 to August 31, 2014
Revenue	
Consulting	$ 11,775
Expenses	
Consulting (Note 9)	61,238
Depreciation	850
Legal and audit	56,618
Management fees (Note 9)	134,767
Office and general	73,769
Total expenses	327,242
Loss before other items	315,467
Other items	
Impairment of exploration and evaluation assets	209,979
Listing and filing fees (Note 2)	4,862,088
Net loss and comprehensive loss for the year	$ 5,387,534
Loss per share - basic and diluted	$ (0.26)
Weighted average number of shares outstanding	20,332,664

Herbal Clone Bank Canada Inc.
(Formerly Infinity Minerals Corp.)
Consolidated Statement of Changes in Shareholders' Equity
From Incorporation on November 8, 2013 to August 31, 2014
(Expressed in Canadian dollars)

	Share capital				
	Number of shares	Amount	Reserve	Deficit	Total
Incorporation on November 8, 2013	20,000,000	$ 10	$ -	$ -	$ 10
Share issuance to founders	3,027,778	2	-	-	2
Share issuance for proceeds	1,111,111	1	-	-	1
Share issuance on exercise of Share option	1,111,111	30,000	-	-	30,000
Share issuance on acquisition of subsidiary	3,500,000	2	(212,493)	-	(212,491)
To eliminate shares of THC in reverse take-over	(28,750,000)	-	-	-	-
Shares issued to THC shareholders on amalgamation	28,750,000	6,145,260	-	-	6,145,260
Assumption of equity of IMC (Note 8)	20,484,200	-	-	-	-
Net loss for the period	-	-	-	(5,387,534)	(5,387,534)
Balance at August 31, 2014	**49,234,200**	**$ 6,175,275**	**$ (212,493)**	**$ (5,387,534)**	**$ 575,248**

Herbal Clone Bank Canada Inc.
(Formerly Infinity Minerals Corp.)
Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

	From Incorporation, November 8, 2013 to August 31, 2014
Operating activities	
Net loss for the period	$ (5,387,534)
Adjustments for non-cash items:	
Depreciation	850
Listing and filing fees	4,862,088
Impairment of exploration and evaluation assets	209,979
Changes in non-cash working capital items:	
Accounts receivable and GST Recoverable	(31,619)
Prepaid expenses	(91,831)
Trade payables and accrued liabilities	177,493
Customer deposits and Unearned revenue	67,000
Net cash flows used in operating activities	(193,574)
Investing activities	
Cash acquired on reverse takeover (Note 2)	222,956
Purchase of equipment	(1,888)
Net cash flows from investing activities	221,068
Financing activities	
Proceeds on issuance of common shares, net of share issue costs	30,015
Loan receivable	(75,505)
Loan payable, net of repayments	70,034
Due to related parties	175,647
Net cash flows from financing activities	200,191
Increase in cash	227,685
Cash, beginning of period	-
Cash, ending of period	$ 227,685
Supplemental disclosure with respect to cash flows	
Cash inflow from interest	$ -
Cash outflow from interest	$ -
Cash outflow from income taxes	$ -
Non-cash financing or investing transactions:	
Shares issued to acquire legal subsidiary	$ 6,145,260

See accompanying notes to the consolidated financial statements

1. Nature and continuance of operations

Infinity Minerals Corp. ("IMC") was incorporated on November 12, 2010, under the laws of the province of British Columbia, Canada. The corporate office and principal place of business address is Suite 401, 409 Granville Street, Vancouver, British Columbia, Canada. On August 29, 2014, the Company completed the acquisition of The Herbal Clone Bank Inc. ("THC"), including its subsidiary Advanced Greenhouse Technologies Ltd. The transaction was accounted for as a reverse takeover ("RTO"). Concurrent with the completion of the transaction, the Company changed its name to Herbal Clone Bank Canada Inc. ("HCBC") to reflect a change in business. The Company's principal activity is to acquire a Health Canada license under the Marihuana for Medical Purposes Regulations for the purpose of providing services to producers of medical marijuana. The Company trades on the Canadian Securities Exchange under the symbol "HC" and began trading under the new symbol on September 8, 2014.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception of $5,387,534. The Company needs to raise sufficient capital to fund development costs, administration expenses and future acquisitions. The Company's ability to continue as a going concern is dependent upon its ability to attain future profitable operations and to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. As at August 31, 2014, the Company had not yet achieved profitable operations and expects to incur further losses in the development of its business plan, all of which may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company not be able to continue as a going concern.

2. Reverse Takeover

On August 29, 2014, the Company acquired all of the issued and outstanding securities of The Herbal Clone Bank Inc. ("THC"), including its subsidiary Advanced Greenhouse Technologies Ltd. (the "Acquisition"), in exchange for issuance of securities of the Company. The Acquisition consisted of a share exchange agreement where the holders of all of the issued and outstanding shares of THC received securities in the Company. THC shareholders received one common share for each THC share held by THC shareholders on the date the Acquisition was completed. The Company issued 28,750,000 shares, subject to an escrow agreement (Note 6).

After completion of the Acquisition, an aggregate of 49,234,200 common shares of the Company was outstanding. Ownership percentage of the Company's outstanding shares was: THC shareholders – 58% and IMC shareholders - 42%. The RTO resulted in the shareholders of THC acquiring control of the Company. The Company has issued a sufficient number of securities such that control of the Company passed to the security holders of THC and THC was considered the acquirer for accounting purposes. The RTO was accounted for as a recapitalization of the Company. The Acquisition was accounted for as a business acquisition, as the Company and THC both meet the definition of a business under IFRS 3 Business Combinations.

Pursuant to the RTO transaction, the consolidated financial statements for the year ended August 31, 2014 reflect the consolidated assets, liabilities, and results of operations of THC prior to the RTO. The consolidated assets, liabilities and results of operations of the Company and THC are included subsequent to the RTO. The consolidated financial statements are issued under the legal parent Herbal Clone Bank Canada Inc., but are deemed to be a continuation of the legal subsidiary THC.

2. Reverse Takeover (cont'd)

The allocation of the share exchange for the acquisition of IMC by THC is as follows:

Consideration received:		
Issuance of 28,750,000 common shares	**$**	**6,145,260**
Purchase price allocation:		
Cash	$	222,956
Non-current assets		211,274
Non-cash working capital, net		848,942
Net assets acquired		1,283,172
Listing expense		4,862,088
Purchase price allocation	**$**	**6,145,260**

3. Significant accounting policies and basis of preparation

Statement of compliance

The consolidated financial statements of the Company 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").

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis accounting, except for cash flow information and are presented in Canadian dollars unless otherwise noted. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. These financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value.

Basis of Consolidation

These consolidated financial statements included the accounts of the Company and its wholly-owned subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

The legal subsidiaries of the Company as of August 31, 2014 are as follows:

Name of Subsidiary	Place of Incorporation	Ownership Interest
The Herbal Clone Bank Inc.	Canada	100%
Advanced Greenhouse Technologies Ltd.	Canada	100%

3. Significant accounting policies and basis of preparation (cont'd)

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 financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Areas requiring a significant degree of estimation and judgment relate to but are not limited to the recoverability of the carrying value of exploration and evaluation assets and the fair value measurements for financial instruments, the recognition and valuation of provisions for restoration and environmental liabilities, qualifying expenditures for refundable and non-refundable tax credits, timing of receipt of refundable tax credits, the recoverability and measurement of deferred tax assets and liabilities , the fair value estimation of share-based awards and whether the Company has sufficient financing to operate as a going concern. Actual results may differ from those estimates and judgments.

Cash

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. As at August 31, 2014 the Company had no cash equivalents.

Short-term investments

Short-term investments consist of variable rate guaranteed investment certificates ("GICs") with original terms of one year or less but greater than three months. Short-term investments are designated as held-for-trading and are recorded at fair value.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition. Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost less any provision for impairment. Significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counter party will default. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

3. Significant accounting policies and basis of preparation (cont'd)

Financial instruments (cont'd)

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of operations and comprehensive loss. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income (loss), except for impairment losses and foreign exchange gains and losses.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Equipment is depreciated over its estimated useful lives. The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

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

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

3. Significant accounting policies and basis of preparation (cont'd)

Equipment (cont'd)

Depreciation is recognized using the following rates and methods:

	Depreciation rate
Computer equipment	30% declining balance
Office equipment	20% declining balance

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

Impairment of non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of the value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent that they reverse gains previously recognized in accumulated other comprehensive loss/income.

Revenue Recognition

Revenue is recognized when consulting services have been provided to the consumer, it is probable that economic benefits associated with the transaction will flow to the Company, the service price can be measured reliably, the Company has no significant continuing involvement and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When cash has been received from customers prior to providing consulting services, the amounts are recorded as unearned revenue until the services are provided.

Share-based payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purpose (direct employee) or provides services similar to those performed by a direct employee.

The Company accounts for stock options issued to employees at the fair value determined on the grant date using the Black-Scholes option pricing model. The fair value of the options is recognized as an expense using the graded vesting method where the fair value of each tranche is recognized over its respective vesting period. When stock options are forfeited prior to becoming fully vested, any expense previously recorded is reversed.

3. Significant accounting policies and basis of preparation (cont'd)

Share-based payments *(cont'd)*

Share-based payments made to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured. These payments are recorded at the date of the goods and services are received.

Agent's warrants, stock options and other equity instruments issued as purchase consideration in non-monetary transactions other than as consideration for exploration and evaluation assets are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of directors. Proceeds from unit placements are allocated between share and warrants using the residual method.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the Canadian taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.
Current tax is recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

3. Significant accounting policies and basis of preparation (cont'd)

Net loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Dilutive earnings per share reflect the potential dilution of securities that could share in the earnings of an entity. In periods where a net loss is incurred, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive and basic and diluted loss per common share is the same. In a profit year, under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average price during the year.

Exploration and evaluation assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits are recorded when there is reasonable certainty that they will be received and when there are no unfulfilled obligations remaining. Government tax credits are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

New Accounting Standards Adopted

IFRS 10 "Consolidated Financial Statements"

This new standard will replace IAS 27 "Consolidated and Separate Financial Statements", and SIC-12 "Consolidation – Special Purpose Entities". Concurrent with IFRS 10, the IASB issued IFRS 11 "Joint Ventures"; IFRS 12 "Disclosures of Involvement with Other Entities"; IAS 27 "Separate Financial Statements", which has been amended for the issuance of IFRS 10 but retains the current guidance for separate financial statements; and IAS 28 "Investments in Associates and Joint Ventures", which has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee, eliminating the risks and rewards approach included in SIC-12, and requires continuous assessment of control over an investee.

3. Significant accounting policies and basis of preparation (cont'd)

IFRS 11 "Joint Arrangements"

This new standard requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes lAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers.

IFRS 12 "Disclosure of Interests in Other Entities"

This new standard establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 "Fair value measurement"

This new standard replaces the fair value measurement guidance currently included in various other IFRS standards with a single definition of fair value and extensive application guidance. IFRS 13 provides guidance on how to measure fair value and does not introduce new requirements for when fair value is required or permitted. It also establishes disclosure requirements to provide users of the financial statements with more information about fair value measurements.

Amended Standard IAS 1 "Presentation of Financial Statements"

This standard provides extensive guidance on determining fair value for measurement or disclosure purposes.

IAS 27 - Separate Financial Statements

IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9.

IAS 28 - Investments in Associates and Joint Ventures

IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

None of the above standards have been early adopted or are expected to have significant impact on the Company's financial statements.

New standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of August 31, 2014 and have not been applied in preparing these financial statements.

(Expressed in Canadian dollars)

3. Significant accounting policies and basis of preparation (cont'd)

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company will adopt this standard effective September 1, 2018.

4. Loan receivable

On July 28, 2014, the Company provided a loan to an arm's-length party in the amount of $75,000. Under terms of the agreement, interest is payable on the unpaid principle at 6% per annum. Loan proceeds are convertible at the Company's option into equity of the arm's-length party at rate of 2.875%. The term of the loan was twelve months and is unsecured. As at August 31, 2014, $505 in interest has been accrued and included in the balance of the loan receivable.

5. Equipment

		Computer and Office Equipment
Cost:		
Balance at incorporation date, November 8, 2013	$	-
Additions		3,184
Balance at August 31, 2014		**3,184**
Accumulated Depreciation:		
Balance at incorporation date, November 8, 2013		-
Charge for the year		850
Balance at August 31, 2014		**850**
Net book value:		
Balance at August 31, 2014	**$**	**2,334**

6. Exploration and evaluation assets

On November 15, 2010, the Company, through IMC signed a Mineral Property Purchase Agreement ("MMPA") to acquire a 100% interest in the Rainbow Claim Group comprising of 318 hectares located in the Greenwood Mining Division, Midway, British Columbia. The Company issued 2,015,700 common shares in exchange for mineral property interests of $20,157 to a director of the Company. These shares are subject to an escrow agreement. During fiscal 2014, the Company recorded an impairment loss of $209,979 due to the Company's change in business operations. The Company maintains good standing on the property's mineral titles.

(Expressed in Canadian dollars)

6. Exploration and evaluation assets (cont'd)

The composition of accumulated acquisition and deferred exploration costs is:

		2014
Acquisition costs:		
Balance at incorporation date, November 8, 2013	**$**	**-**
Additions		**20,157**
Impairment		**(20,157)**
		-
Exploration and evaluation assets:		
Balance at incorporation date, November 8, 2013		
Additions		**189,822**
Impairment		**(189,822)**
		-
Exploration and evaluation assets, August 31, 2014	**$**	**-**

7. Loan payable

The Company entered into a loan agreement dated February 5, 2013 with an arm's length party (the "Lender") in the principal amount of $80,000. The loan is unsecured, carries an inputed interest rate of 10.4% and matures on January 15, 2015. Payments are to be made according to the following schedule:

		Interest		Payment
Payment – September 4, 2013	$	-	$	(6,667)
Payment – October 21, 2013	$	-	$	(6,667)
Payment – September 15, 2014	$	1,667	$	(15,000)
Payment – October 15, 2014	$	1,667	$	(15,000)
Payment – November 15, 2014	$	1,667	$	(15,000)
Payment – December 15, 2014	$	1,667	$	(15,000)
Payment – January 15, 2015	$	1,666	$	(15,000)

8. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Share issuances

On November 8, 2013, date of inception, 20,000,000 common shares were issued to two founders for proceeds of $10.

On May 1, 2014, 3,027,778 common shares were issued to key management in connection with a corporate reorganization. These common shares were recorded at a nominal value.

On May 1, 2014, 1,111,111 common shares were issued to 0949453 BC Ltd, the management company which employs the chief financial officer of the Company. The common shares were recorded at a nominal value.

8. Share capital (cont'd)

Share issuances (cont'd)

On May 1, 2014, 0949453 BC Ltd. exercised its share option to purchase 1,111,111 common shares of the Company. The Company and 0949453 BC Ltd. agreed to settle $30,000 accrued as a payable to 0949453 BC Ltd. as the payment for the exercise of the share option. The Company recorded the exercise of the share option of $30,000 in share capital for the period ended May 1, 2014.

On May 1, 2014, 3,500,000 common shares were issued to Advanced Greenhouse Technologies Ltd. in connection with the share exchange agreement, at a nominal value of $2.

On August 29, 2014, the Company issued 28,750,000 common shares in exchange for all the outstanding shares of THC and its wholly owned subsidiary, Advanced Greenhouse Technologies Ltd. at a deemed value of $6,145,260. These shares are subject to an escrow agreement. The Company assumed the 20,484,200 issued and outstanding shares of the legal parent, IMC, in connection with the reverse takeover transaction.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended August 31, 2014 was based on the loss attributable to common shareholders of $5,387,534, and the weighted average number of common shares outstanding of 15,153,570.

Diluted loss per share did not include the effect of 1,515,000 stock options as the effect would be anti-dilutive.

Shares held in escrow

The escrow agreement relating to the Acquisition provides share release equal to 10% upon completion of the initial public offering or purchase agreement and listing on the Canadian Securities Exchange, the remaining shares will be released in 6 equal tranches (15%) every six months. On September 5, 2014, the Company received final approval of its change of business and trading of the Company's shares commenced September 8, 2014.

As of August 31, 2014, a total of 1,739,990 shares have been released and a total of 29,495,710 shares remain in escrow.

Stock option plan and stock options

The Company has a 10% rolling stock option plan for its directors, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date of grant. During the year ended August 31, 2014, the company granted 750,000 stock options fully vested with a fair value of $117,410. The Company's stock option plan provides for immediate vesting or vesting at the discretion of the Board at the time of the option grant. Stock options granted to investor relations' consultants vest over a twelve month period, with one quarter of such options vesting in each three month period.

(Expressed in Canadian dollars)

8. Share capital (cont'd)

Stock option plan and stock options (cont'd)

The changes in options during the year ended August 31, 2014 and 2013 were as follows:

	August 31, 2014		August 31, 2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Options outstanding, beginning of year	1,350,000	$ 0.18	940,000	$ 0.15
Options surrendered	(585,000)	0.20	(80,000)	0.15
Options granted	750,000	0.40	490,000	0.22
Options outstanding, end of year	1,515,000	$ 0.20	1,350,000	$ 0.18
Options exercisable, end of year	1,515,000	$ 0.20	1,350,000	$ 0.18

As of August 31, 2014 the weighted average life of outstanding share purchase options was 3.39 years (2013 – 3.54 years).

As at August 31, 2014 the following stock options were outstanding:

Total number of options	**Exercise price**	**Expiry date**
665,000	$0.15	September 15, 2016
150,000	$0.42	June 23, 2017
100,000	$0.40	July 11, 2017
100,000	$0.20	November 19, 2017
400,000	$0.125	April 11, 2019
100,000	$0.27	June 10, 2019
1,515,000		

The weighted average grant date fair value of options granted during the year ended August 31, 2014 was approximately $0.16 (2013 - $0.19). The fair value of options was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	2014	2013
Expected life of options	3 - 5 years	5 years
Annualized volatility	83% - 1.02%	131% - 160%
Risk-free interest rate	1.16 - 1.64%	1.24 - 132%
Dividend rate	0%	0%

(Expressed in Canadian dollars)

8. Share capital (cont'd)

Share purchase warrants

The changes in share purchase warrants during the years ended August 31, 2014 and 2013 were as follows:

	August 31, 2014			August 31, 2013		
	Number of warrants		**Weighted average exercise price**	Number of warrants		Weighted average exercise price
Outstanding, beginning of year	2,199,000	$	0.29	2,400,000	$	0.19
Granted	3,514,150		0.30	-		-
Exercised	-		-	(201,000)		0.15
Expired	(2,199,000)		0.29	-		-
Outstanding, end of year	3,514,150	$	0.30	2,199,000	$	0.29

As at August 31, 2014 the following share purchase warrants were outstanding:

Total number of warrants	**Exercise price**	**Expiry date**
3,514,150	$0.30	April 11, 2014
3,514,150		

As of August 31, 2014 the weighted average life of outstanding share purchase warrants was 0.81 years (2013 – 0.61 years).

9. Related party transactions

Key management personnel compensation

Payments to key management personnel including the President, Chief Financial Officer, a director, and companies directly controlled by key management personnel are for consulting fees or management fees and are directly related to their position in the organization.

		Period Ended August 31, 2014
Short-term compensation and consulting	$	184,250
Total compensation of key management and directors	$	184,250

As at August 31, 2014, the Company had amounts payable to directors and officers of the Company in the amount of $175,647. These amounts are unsecured, non-interest bearing, have no fixed terms of repayment and are due on demand.

(Expressed in Canadian dollars)

10. Acquisition of Advanced Greenhouse Technologies Ltd.

On May 1, 2014, the Company issued 3,500,000 common shares in exchange for 100% of the outstanding shares of Advanced Greenhouse Technologies Ltd. ("AGT") with an estimated fair value of $2 (the "Acquisition"). As the two entities were under common control as at the date of the Acquisition, this transaction has been accounted for as a business combination, prospectively from the date the ownership interest was acquired. All assets and liabilities of AGT have been recognized upon consolidation at their carrying amounts.

The information in the following table summarizes the consideration provided in exchange for AGT and the amounts of the assets acquired and liabilities assumed that were recorded at the acquisition date carrying amounts.

		May 1, 2014
Total consideration provided 3,500,000 common shares	$	2
Recognized amounts (predecessor carrying amounts)		
Assets acquired:		
GST receivable		2,537
Prepaid expenses		25
Equipment		1,888
		4,450
Liabilities assumed:		
Cheques in excess of cash on hand		664
Trade payables and accrued liabilities		22,263
Deposit		100
Loans payable		70,034
Due to related party		123,880
		216,941
Net liabilities recognized		212,491
Total recognized within liability	$	212,493

(Expressed in Canadian dollars)

11. Income taxes

The actual income tax provision differs from the expected amounts calculated by applying the Canadian combined statutory federal and provincial corporate income tax rates to the Company's loss before income taxes.

	2014
Statutory income tax rate	26%
Expected tax recovery	$ (1,401,000)
Decrease resulting from:	
Non-deductible permanent differences	1,296,000
Share issue costs	(8,000)
Changes in estimates	1,000
Deferred tax benefits not recognized and other	112,000
Income tax expense (recovery)	$ -

The significant components of the Company's future income tax assets and liabilities, at substantially enacted tax rates are as follows:

	2014
Exploration and evaluation assets	$ 6,000
Cumulative eligible capital	2,000
Non-capital losses	284,000
Share issue costs	20,000
Net deferred tax asset (liability) before valuation allowance	312,000
Deferred tax assets not recognized	(312,000)
Net deferred tax liability	$ -

The Company has non-capital losses carried forward for income tax purposes of approximately $1,092,000 which can be applied against future years' taxable income. These losses will expire through to 2034. Deferred tax benefits which may arise as a result of the utilization of the non-capital losses and cumulative exploration and development expenses have been offset by a valuation allowance and have not been recognized in these financial statements.

12. Financial risk management

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The Company's bank accounts are held with a major bank in Canada. As all of the Company's cash and cash equivalents are held by one bank in Canada, there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company is not exposed to credit risk on recoverable taxes, as these are due from the Government of Canada.

(Expressed in Canadian dollars)

12. Financial risk management (cont'd)

Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and banking facilities.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at August 31, 2014:

	Within one year	Between one and five years	More than five years
Trade payables and accrued liabilities	$ 158,608	$ -	$ -
Customer deposits and Unearned revenue	67,000	-	$ -
Loan payable	70,034	-	$ -
Due to related parties	175,647	-	$ -
	$ 471,289	$ -	$ -

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Foreign currency exchange rate risk and commodity price risk

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Commodity price risk is the risk that market values and future incomes will fluctuate because of changes in commodity prices. The Company does not have any direct exposure to foreign currency exchange rate risk or commodity price risk. The Company had no forward exchange rate contracts or commodity price contracts in place as at August 31, 2014.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at August 31, 2014, the Company did not have any significant interest rate risk.

The Company had no interest rate swap or financial contracts in place as at August 31, 2014.

Capital management

The Company defines capital that it manages as shareholders' equity that is expected to be realized in cash. The Company raises capital through private and public share offerings and related party loans and advances. Capital is managed in a manner consistent with the risk criteria and policies provided by the board of directors and followed by management. All sources of financing and major expenditures are analyzed by management and approved by the board of directors.

The Company's primary objectives when managing capital is to safeguard and maintain the Company's financial resources for continued operations and to fund expenditure programs to further advance mineral property interests. The Company is meeting its objective of managing capital through detailed review and due diligence on all potential acquisitions, preparing short-term and long-term cash flow analysis to maintain sufficient resources.

(Expressed in Canadian dollars)

12. Financial risk management (cont'd)

Capital management (cont'd)

The Company is able to scale its expenditure programs and the use of capital to address market conditions by reducing expenditures and the scope of operations during periods of commodity pricing decline and economic downturn.

There were no changes in the Company's approach to capital management during the period ended August 31, 2014. The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

The Company's financial instruments consisted of cash, term deposits, receivables, accounts payable and accrued liabilities, customer deposits, loan payable, customer deposits and unearned revenue and due to related parties. The Company designated its cash, term deposits and receivables as loans and receivables, which are measured at amortized cost. The accounts payable and accrued liabilities, customer deposits, loan payable, customer deposits and unearned revenue and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

The following is an analysis of the Company's financial assets measured at fair value as at August 31, 2014:

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 227,685	$ -	$ -
Term deposits	$ 617,563	$ -	$ -
Accounts receivable	$ 6,856	$ -	$ -
Loan receivable	$ 75,505	$ -	$ -

	Level 1	Level 2	Level 3
Trade payables and accrued liabilities	$ 151,083	$ -	$ -
Loan payable	$ 70,034	$ -	$ -
Customer deposits and Unearned revenue	$ 67,000	$ -	$ -
Due to related parties	$ 175,647	$ -	$ -

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

13. Commitments

The Company entered a management service agreement on January 1, 2014 with the chief executive officer ("CEO") where the officer is to be compensated $12,000 a month until June 1, 2014, when the monthly compensation would be reduced to $8,000 a month until such time as the party or the Board of Directors terminates the agreement. The agreement permits the Company to settle any payment in shares at any time. The CEO is also entitled to participate in a stock option arrangement when the Board announces its stock option plan.

The Company entered a management service agreement on January 1, 2014 with the director of communication ("DOC") where the party is to be compensated $5,000 a month until June 1, 2014, when the monthly compensation would be increased to $8,000 a month until such time as the party or the Board of Directors terminates the agreement. The agreement permits the Company to settle any payment in shares at any time. The party is also entitled to participate in a stock option arrangement when the Board announces its stock option plan.

The Company entered into a management service agreement on June 1, 2014 with a 0949453 BC Ltd., ("ManagementCo") a connected company of the chief financial officer. Monthly compensation charged by ManagementCo is $8,000 a month until such time as the party or the Board of Directors terminates the agreement. The ManagementCo is also entitled to participate in a stock option arrangement when the Board announces its stock option plan.

The Company entered a management service agreement on January 1, 2012 with a director where the party is to be compensated $10,000 a month until such time as the party or the Board of Directors terminates the agreement. Advanced written notice of twenty-four months is required for termination. The party is also entitled to participate in a stock option arrangement when the Board announces its stock option plan.

The Company entered a management service agreement on January 1, 2012 with a director where the party is to be compensated $8,000 a month until such time as the party or the Board of Directors terminates the agreement. Advanced written notice of twenty-four months is required for termination. The party is also entitled to participate in a stock option arrangement when the Board announces its stock option plan.

14. Segmented information

Operating segments

The Company operates one reportable operating segment – the medical marijuana business.

Geographic segments

The Company's non-current assets are located in Canada.