CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MAY 31, 2018 AND 2017

Unaudited – Prepared by Management
(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF 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 interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

FUTURE FARM TECHNOLOGIES INC.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

	May 31, 2018	February 28, 2018
ASSETS		
Cash	$ 446,326	$ 236,233
Accounts receivable (Note 3)	676,501	347,640
Prepaids and Deposits (Note 4)	179,682	157,706
Inventory (Note 5)	81,301	82,350
Biological Assets (Note 6)	498,236	801,091
Held for Sale	-	1,400,000
Total current assets	1,882,046	3,025,020
Prepaids (Note 4)	115,881	-
Property, plant and equipment (Note 7)	3,949,753	4,430,914
Intangible assets (Note 8)	1,984,288	2,029,556
Goodwill (Note 8)	383,673	340,455
Long term Investment (Note 9)	2,348,889	-
Investment in associated company (Note 10)	2,371,302	1,088,022
Total non-current assets	11,153,786	7,888,947
TOTAL ASSETS	$ 13,035,832	$ 10,913,967
LIABILITIES AND EQUITY (DEFICIENCY)		
LIABILITIES		
Accounts payable and accrued liabilities (Note 12 and 13)	$ 1,426,210	$ 1,422,918
Loan payable - Current (Note 14)	25,581	128,618
Finance Lease - Current (Note 15)	65,539	85,337
Mortgage payable (Note 16)	-	59,812
Convertible debentures (Note 17)	4,840,439	5,685,585
Total current liabilities	6,357,769	7,382,270
Finance lease - non-current (Note 15)	84,620	84,620
Mortgage payable (Note 16)	-	713,677
Total non-current liabilities	84,620	798,297
TOTAL LIABILITIES	$ 6,442,389	$ 8,180,567
EQUITY (DEFICIENCY)		
Share capital (Note 18)	$ 34,227,847	$ 28,350,442
Commitment to issue shares	265,101	265,101
Equity reserves	6,127,914	6,106,627
Accumulated other comprehensive income	141,458	65,617
Deficit	(34,417,065)	(32,304,857)
Equity attributable to shareholders (Note 18)	6,345,255	2,482,930
Non-controlling interest (Note 11)	248,188	250,470
Total equity (deficiency)	6,593,443	2,733,400
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)	$ 13,035,832	$ 10,913,967

Nature of operations and ability to continue as a going concern (Note 1)
Commitments (Note 21)
Subsequent events (Note 25)

These consolidated financial statements were authorized for issuance by the Board of Directors on July 31, 2018.
Approved on behalf of the Board of Directors

"William Gildea", Director *"Craig Stanley"*, Director

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

FUTURE FARM TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian dollars)

		Three months ended May 31, 2018		Three months ended May 31, 2017
Sales	$	1,304,749	$	40,905
Cost of goods sold		(715,505)		(26,417)
Unrealized loss from change in value of biological assets		(499,111)		-
GROSS PROFIT	$	90,133	$	14,488
Operating Expenses				
Advertising, promotion and public relations		147,964	$	195,431
Bad debts (recovery)		-		(7,195)
Consulting and management fees (Note 13)		791,287		667,816
Depreciation (Note 8)		81,702		-
Office and miscellaneous		282,434		58,884
Professional fees		564,881		42,742
Project management		-		687,100
Rent and utilities		8,975		9,021
Share-based payments (Note 17)		1,844,330		2,427,583
Swap fees		226,254		-
Transfer agent and filing fees		10,638		10,162
Travel		87,632		54,752
Wages and benefits		18,325		12,948
Total operating expenses		(4,064,422)		(4,159,244)
Accretion (Note 17)		(455,654)		-
Interest and other expenses		(184,073)		(9,725)
Foreign exchange gain (loss)		(31,326)		(15,794)
Change in fair value of derivative liability (Note 17)		2,647,572		-
Equity loss in associated entities (Note 10)		(116,720)		-
Rental income		-		25,472
		1,859,799		(47)
Net loss from continuing operations		(2,114,490)		(4,144,803)
Net loss from discontinued operations (Note 24)		-		(15,110)
Net Loss for the period	$	(2,114,490)	$	(4,159,913)
Other Comprehensive income				
Exchange differences on translating foreign operations		(75,841)		-
Total Comprehensive loss for the period		(2,190,331)		(4,159,913)
Net loss attributable to:				
Equity shareholders of the Company	$	(2,112,208)	$	(4,137,101)
Non-controlling interests		(2,282)		(22,812)
		(2,114,490)		(4,159,913)
Total loss attributable to:				
Equity shareholders of the Company	$	(2,188,049)	$	(4,137,101)
Non-controlling interests		(2,282)		(22,812)
	$	(2,190,331)	$	(4,159,913)
Basic and diluted loss per share - continuing operations	$	(0.02)	$	(0.05)
Basic and diluted loss per share - discontinued operations	$	-	$	(0.00)
Weighted average no. of common shares outstanding - basic and diluted		115,852,858		88,392,260

FUTURE FARM TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian dollars)

	Number of shares	Share capital	Shares subscribed	Commitment to issue shares	Equity reserves	Accumulated Comprehensive Income	Deficit	Non-controlling interest	**Total equity (deficiency)**
Balance as at February 28, 2017	75,997,843	$ 14,872,872	$ 664,207	$ 109,750	$ 854,957	$ -	$ (11,244,113)	$ 300,291	$ 5,557,964
Units issued pursuant to consulting services	250,000	107,500	-	-	-	-	-	-	107,500
Private placement	7,671,016	2,071,174	(664,207)	-	-	-	-	-	1,406,967
Share issue costs	-	(244,250)	-	-	-	-	-	-	(244,250)
Exercise of warrants	500,000	50,000	-	-	-	-	-	-	50,000
Broker's warrants	-	(97,048)	-	-	97,048	-	-	-	-
Units issued as finders fees	5,000,000	2,150,000	-	-	-	-	-	-	2,150,000
Units issued for management fees	750,000	25,500	-	(25,500)	-	-	-	-	-
Share-based compensation	-	-	-	-	277,583	-	-	-	277,583
Loss for the period	-	-	-	-	-	-	(4,137,101)	(22,812)	(4,159,913)
Balance as at May 31, 2017	90,168,859	18,935,748	-	84,250	1,229,588	-	(15,381,214)	277,479	5,145,851
Balance as at February 28, 2018	111,835,933	$ 28,350,442	$ -	$ 265,101	$ 6,106,627	$ 65,617	$ (32,304,857)	$ 250,470	$ 2,733,400
Units issued pursuant to license agreement	-	-	-	-	-	-	-	-	-
Units issued pursuant to consulting services	2,925,514	1,813,819	-	-	-	-	-	-	1,813,819
Exercise of warrants	418,800	164,181	-	-	(9,225)	-	-	-	154,956
Shares issued for convertible notes	10,197,711	3,899,405	-	-	-	-	-	-	3,899,405
Share-based compensation	-	-	-	-	30,512	-	-	-	30,512
Foreign exchange translation	-	-	-	-	-	75,841	-	-	75,841
Loss for the period	-	-	-	-	-	-	(2,112,208)	(2,282)	(2,114,490)
Balance as at May 31, 2018	125,377,958	$ 34,227,847	$ -	$ 265,101	$ 6,127,914	$ 141,458	$ (34,417,065)	$ 248,188	$ 6,593,443

FUTURE FARM TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Cash flow

(Unaudited - Expressed in Canadian dollars)

	Three months ended May 31, 2018	Three months ended May 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (2,114,490)	$ (4,159,913)
Adjustments for:		
Amortization	81,702	-
Bad debt expense (recovery)	-	(7,195)
Unrealized loss from change in value of biological assets	499,111	-
Fair value change - derivative liability	(2,647,572)	-
Interest expense	-	9,725
Accretion expense	455,654	-
Rental Income	-	(25,472)
Share-based payments	30,512	2,427,583
Shares issued for consulting and marketing services	1,813,819	107,500
Equity loss in associated entities (Note 10)	116,720	-
Unrealized foreign exchange (gain) loss on cash	103,036	17,798
Changes in non-cash working capital items:		
Amounts Receivables	(328,861)	15,518
Accounts payable and accrued liabilities	3,292	1,041
Biological Assets	(196,256)	-
Deposits	(23,000)	-
Due to related parties	-	(15,320)
Prepaids and advances	(114,857)	(157,758)
Inventory	1,049	(120,373)
Net cash used in operating activities	(2,320,141)	(1,906,866)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of long term investments	(2,348,889)	-
Purchase of Property Plant and Equipment	(324,332)	(172,403)
Net cash used in investing activities	(2,673,221)	(172,403)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement	-	1,406,967
Share issue costs	-	(244,250)
Net proceeds of Convertible debenture	5,172,800	-
Proceeds from exercise of warrants and stock options	-	50,000
Repayment of finance lease facility	(21,255)	-
Repayment of loans payable	(103,046)	-
Repayment of note payable	-	(32,286)
Exercise of warrants	154,956	-
Net cash provided by financing activities	5,203,455	1,180,431
Change in cash during the period	210,093	(898,838)
Cash, beginning of the period	236,233	2,090,615
Cash, end of period	$ 446,326	$ 1,191,777

FUTURE FARM TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Cash flow

(Unaudited - Expressed in Canadian dollars)

(Continued)

Non-cash Investing and Financing Activities:		
Shares issued on conversion and settlement of convertible debt	$ 3,899,405	$ -
Allocation of fair value from convertible debt to equity component	3,721,117	-
Reallocation of assets held for sale to investment in an associated entity	1,400,000	-
Return of land and associated mortgage payable	773,489	-
Broker's warrants	-	97,048
Transfer to share capital on exercise of stock options & warrants	9,225	-

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

Future Farm Technologies Inc. (the "Company") was incorporated in the province of British Columbia, Canada on May 31, 1984. The Company is listed on the Canadian Securities Exchange (the "Exchange") under the symbol "FFT".

The Company's head office is located at 501 – 543 Granville Street, Vancouver, British Columbia, V6C 1X8. The Company is an indoor plant growth technology company specializing in LED lighting, mobile applications and vertical farming solutions.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. To date, the Company has incurred losses, and generated negative cash flows from operations, and as of May 31, 2018, has a working capital deficiency of $4,475,723. The Company's ability to continue as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations, and the attainment of profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. These condensed consolidated interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 using accounting policies consistent 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").

The accounting policies applied by the Company in these condensed interim financial statements are consistent with those applied in its annual audited financial statements and related note disclosures as at and for the year ended February 28, 2018, and do not include all the information required for full annual audited financial statements in accordance with IFRS.

It is suggested that these condensed interim financial statements be read in conjunction with the annual audited financial statements.

Basis of Measurement and Presentation

These financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars ("CAD"), which is also the Company's functional currency.

Basis of Consolidation

These consolidated financial statements include the financial statement of the Company and the entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (Continued)

Subsidiaries

Subsidiaries are all entities over which the Company has exposure to variable returns from its involvement and has the ability to use power over the investee to affect its returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

The accounts of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Inter-company transactions, balances and unrealized gains or losses on transactions are eliminated.

Accounting standards adopted during the period

Deferred Tax Assets

IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses was amended to clarify the requirements for recognizing deferred income tax assets on unrealized losses, deferred income taxes where an asset is measured at fair value below the asset's tax base, and certain other aspects of accounting for deferred income tax assets. The amendment was adopted on March 1, 2018, without a significant impact on the Company's financial statements.

Statement of Cash Flows

IAS 7 Statement of Cash Flows was amended on January 29, 2016 by the IASB introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendment was adopted on March 1, 2018, without a significant impact on the Company's financial statements.

Revenue recognition

Effective January 1, 2018, the Company has adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 replaces all previous revenue recognition standards, including IAS 18, Revenue, and related interpretations. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes to the timing of revenue for certain types of revenues. The new standard will also result in enhanced disclosures about revenue that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. As of March 1, 2018, the Company has adopted IFRS 15. The Company elected to apply IFRS 15 using a modified retroactive approach by recognizing the cumulative effect of initially adopting this standard at the date of initial recognition. Comparative information has not been restated and continues to be reported under IAS 18 Revenue ("IAS 18"). The Company has concluded that there was no cumulative effect adjustment required to be recognized at March 1, 2018.

The Company recognizes or expects to recognise revenue from the sale of LED lighting and fixtures, sale of ornamental plants to wholesalers, sale of hemp related products, sale of cannabis related products including oils. There are no long-term contracts in place.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (Continued)

Under IFRS 15, revenue from the sale of ornamental plants, hemp related products, and cannabis oils is recognized at a point in time when control over the goods has been transferred to the customer. The Company transfers control and satisfies its performance obligation upon delivery and acceptance by the customer, which is consistent with the Company's current revenue recognition policy under IAS 18. Returns are refunded to the buyer upon receipt and assessment of the products and are reversed from revenue.

Provisions for warranties and product liability are recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Financial instruments

Effective January 1, 2018, the Company adopted IFRS 9 – Financial Instruments ("IFRS 9") which replaced IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Company adopted the standard retrospectively without restatement.

IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available-for-sale.

Under IFRS 9, on initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at amortized cost, fair value through other comprehensive income ("FVOCI"), or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL.

Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated, and instead the hybrid financial instrument as a whole is assessed for classification. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (loss). This election is made on an investment-by-investment basis.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (Continued)

The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to initial recognition and how changes in value are recorded. The following accounting policies apply to the subsequent measurement of financial assets.

a) Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
b) Financial assets at amortized cost - These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is adjusted for impairment losses, Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
c) Financial assets at FVOCI - These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Gains or losses recognized on the sale of the equity investment are recognized in other comprehensive income (loss) and are never reclassified to profit or loss.

Financial liabilities are designated as either fair value through profit or loss, or other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Other financial liabilities are carried on the consolidated statement of financial position at amortized cost.

The Company completed an assessment of its financial instruments as at March 1, 2018. The following table shows the new classification under IFRS 9 and the original classification under IAS 39:

	New (IFRS 9)	Original (IAS 39)
Financial assets		
Cash and cash equivalents	Amortized cost	FVTPL
Trade receivables	Amortized cost	Loans and receivables
Financial liabilities		
Accounts payable and accrued liabilities	Amortized cost	Other financial liabilities
Due to related parties	Amortized cost	Other financial liabilities
Loan payable	Amortized cost	Other financial liabilities
Finance lease	Amortized cost	Other financial liabilities
Mortgage payable	Amortized cost	Other financial liabilities
Convertible debentures - debt portion	FVTPL	Other financial liabilities
Convertible debentures - derivative portion	FVTPL	FVTPL

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk. There was no adjustment relating to the implementation of the expected credit loss model for the Company's trade or settlement receivables.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (Continued)

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derivative contracts are recognized at fair value on initial recognition. Subsequently, derivatives are remeasured at their fair value. The method of recognizing any resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged:

a) Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair values of the hedged assets or liabilities that are attributable to the hedged risk.
b) The effective portions of changes in the fair values of derivatives that are designated and qualify as cash-flow hedges are recognized in equity. The gain or loss relating to any ineffective portion is recognized immediately in profit or loss.
c) Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in profit or loss.

Amounts accumulated in the hedge reserve are recycled in the consolidated statement of loss in the periods when the hedged items will affect profit or loss (for instance when the forecast sale that is hedged takes place). If a forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in the hedge reserve are included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the hedge reserve at that time remains in the reserve and is recognized when the forecast transaction is ultimately recognized in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated statement of income.

The Company has not designated any derivative contracts as hedges and therefore has not applied hedge accounting in these consolidated financial statements.

Accounting pronouncements not yet effective

The following standards and pronouncements have been issued by the IASB and have not yet been adopted by the Company. The Company is currently evaluating the impact the new and amended standards are expected to have on its consolidated financial statements.

IFRS 16 Leases was issued in January 2016 (effective January 1, 2019) and provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

Critical Accounting Judgments and Significant Estimates and Uncertainties

The critical judgments and estimates applied in the preparation of the Company's unaudited condensed interim consolidated financial statements for the three months ended May 31, 2018 are consistent with those applied in the Company's February 28, 2018 audited consolidated financial statements.

(Unaudited - Expressed in Canadian dollars)

3. ACCOUNTS RECEIVABLE

		May 31, 2018		February 28, 2018
Trade accounts receivable	$	651,331	$	415,719
GST receivable		25,170		16,131
Allowance for Doubtful accounts				(84,210)
Receivables	$	676,501	$	347,640

4. PREPAIDS AND DEPOSITS

		May 31, 2018		February 28, 2018
Other prepaid		156,682	$	134,706
Deposits		23,000		23,000
		179,682		157,706
long term prepaid (Note 9)		115,881		-
Prepaid and deposit	$	295,563	$	157,706

5. INVENTORIES

		May 31, 2018		February 28, 2018
LED	$	81,301	$	82,350
Finished goods	$	81,301	$	82,350

During the three months ended May 31, 2018, the Company recorded an inventory impairment of $Nil (2018 - $Nil).

6. BIOLOGICAL ASSETS

The Company acquired White Sand Nursery Inc ("White Sand") (Note 8) on January 4, 2018 and as a result recognized biological assets on its statement of financial position which consist of ornamental nursery plants at various stages of growth. The Company has also purchased additional biological assets as part of its other greenhouse operations. The assets are carried at their fair value less costs to sell. At May 31, 2018, these assets were valued at $498,236 (February 28, 2018 - $ $801,091). All biological assets are intended for sale and take approximately ten to twelve weeks to grow prior to sale.

The continuity of biological assets for the three months ended May 31, 2018 is as follows:

		May 31, 2018
Opening balance, February 28, 2018	$	801,091
Biological assets purchased during the period		268,312
Production cost of biological assets		641,377
Cost attributed to sale of biologcial assets		(713,433)
Unrealized loss from change in value of biological assets		(499,111)
Ending balance, May 31, 2018	$	498,236

The significant assumptions and estimates used in determining the fair value of biological assets are as follows:

- wastage of plants based on their various stages of biological transformation;
- duration of the production cycle;
- percentage of costs incurred at various stages of the biological transformation compared to the total costs are used to estimate the fair value of each type of biological asset; fair value less cost to sell at the point when ready to sell

(Unaudited - Expressed in Canadian dollars)

6. BIOLOGICAL ASSETS (Continued)

The Company estimates the production cycle for the plants at various stages of growth. As of February 28, 2018, it is expected that the Company's biological assets will take approximately 12 weeks to grow. The Company's estimates are, by their nature, subject to change. Changes in the anticipated production cycle will be reflected in future changes in the gain or loss on biological assets.

7. PROPERTY, PLANT AND EQUIPMENT

		Land	Buildings		Equipment		Furniture & Fixutres		Total
Cost									
As at February 28, 2018	$	1,579,317	$ 2,640,051	$	263,037	$	-	$	4,482,405
Additions			72,321		37,481		214,530		324,332
Disposals		(773,489)	-		-				(773,489)
As at May 31, 2018		805,828	2,712,372		300,518		214,530		4,033,248
Accumulated amortization									
As at February 28, 2018		-	9,310		42,181		-		51,491
Additions		-			27,681		4,323		32,004
As at May 31, 2018		-	9,310		69,862		4,323		83,495
Net book value									
As at February 28, 2018	$	1,579,317	$ 2,630,741	$	220,856	$	-	$	4,430,914
As at May 31, 2018	$	805,828	$ 2,703,062	$	230,656	$	210,207	$	3,949,753

During the year ended February 28, 2018, the Company executed a lease agreement in respect of a $629,525 (USD$500,000) equipment lease facility to be secured by the Company's extraction equipment and lab processing equipment (Note 15). As part of the lease agreement, the company has pledged equipment with an agreed upon value at the time of the agreement of US$ 160,000. The balance payable in respect of the lease agreement as at May 31, 2018 was $150,159.

During the year ended February 28, 2017, the Company acquired 3 parcels of land in Florida. The consideration paid of $1,015,547 represented the assumption of the mortgages outstanding on these parcels of land at the time of acquisition of $851,885, the commitment to issue shares in connection of the acquisition valued at $58,750 and a finder's fee on the acquisition of land of $104,912. On March 15, 2018 the Company exercised a put option to sell back the land to the vendor and the vendor assumed the existing mortgages. The Company had impaired the carrying value of the land to the value of the mortgage payable at February 28, 2018, and removed the value of the land from property, plant, and equipment during the three months ended May 31, 2018.

8. INTANGIBLE ASSETS AND GOODWILL

On January 4, 2018, the Company completed the acquisition of 100% of the issued and outstanding shares of White Sand for cash consideration of $1,523,328 (US$1,200,000) (the "Acquisition"). White Sand is an operational greenhouse business selling ornamental plants. At the time of the Acquisition, the Company determined that White Sand constituted a business as defined under IFRS 3, *Business Combinations*, and accounted for it as such on the date that control was acquired. The Company recognized the identifiable assets and liabilities acquired at their estimated acquisition date fair values.

(Unaudited - Expressed in Canadian dollars)

8. INTANGIBLE ASSETS AND GOODWILL (Continued)

In conjunction with the Acquisition, the Company also acquired green houses and land where the green houses were located (the "Greenhouse Property") from the vendor of White Sand for cash consideration of $2,229,653 (US$1,800,000).

The purchase price allocation ("PPA") was as follows:

Receivables	$	142,538
Biological assets		536,597
Trade payables		(74,880)
Net assets acquired		604,255
Intangible asset - customer relationship		585,943
Land		550,887
Buildings		1,671,441
Fair value of assets acquired and liabilities assumed	$	3,412,526

The PPA determined at the Acquisition date is preliminary and subject to change up to a period of one year from the Acquisition date upon finalization of fair value determination.

The total cash outflow pertaining to the Acquisition and purchase of the Greenhouse Property was $3,752,981. The excess of the consideration paid over the fair value of the identifiable assets less liabilities and customer relationships were recognized as goodwill in the amount of $340,455. The goodwill primarily consists of the assembled workforce.

The Company has recorded the customer relationships acquired based on their estimated fair value, determined assuming a 3-year life based on a projected cash flow model using an annual discount rate of 15%.

TerraCity Acquisition

On May 19, 2016, the Company entered into an asset purchase agreement whereby the Company acquired a 75% interest in TerraCity. The remaining 25% interest in TerraCity is held by CBO Financial. The CEO of CBO Financial is a director and officer of the Company. In connection with the asset purchase agreement, the Company entered into a license agreement with TerraSphere Systems, LLC, ("TerraSphere") granting the Company licensed worldwide rights for a proprietary system for growing plants in controlled agriculture facilities ("Global License"). The Company's current CEO is a managing member of TerraSphere. As at May 31, 2018 the license was valued at $1,458,216 (May 31, 2017 - $1,458,216).

App Portfolio and AR E1 LLC

App Portfolio

The Company had previously acquired a portfolio of revenue generating apps and source code ("App Portfolio"). The acquisition of the App Portfolio was intended to expand the Company's tech portfolio and position the Company for the roll-out of a suite of marijuana centric apps. The acquisition of the App Portfolio was accounted for as a business acquisition. On March 20, 2018 the Company completed a sales transaction with NexTech AR Solutions Corp ("NexTech") a related party as it has common directors and received 1,000,000 shares of NexTech. with a fair value of $250,000. At February 28, 2018, the related assets and liabilities were reclassified as held for sale and classified as current (Note 24). Included in the held for sale assets was certain prepaid balances due as consulting fees in connection with the asset purchase of $596,65 which was impaired to $Nil during the year ended February 28, 2018.

(Unaudited - Expressed in Canadian dollars)

8. INTANGIBLE ASSETS AND GOODWILL (Continued)

AR E1 LLC

During the year ended February 28, 2018, the Company entered into a licence agreement with AR E1 LLC wherein the Company has acquired the exclusive right to use AR E1 LLC's patented technology in the cannabis industry. On October 18, 2017, the Company issued 5,000,000 common shares in connection with the agreement valued at $1,150,000. On March 20, 2018 the Company completed a sales transaction to sell the license agreement to NexTech and received 12,000,000 shares of NexTech. With a fair value equivalent to the original acquisition costs of the license. At February 28, 2018, the related assets and liabilities were reclassified as held for sale and classified as current (Note 24).

The following table summarizes the continuity of the Company's intangible assets:

As at February 28, 2018	2,029,556
Depreciation of customer lists	(50,329)
Foreign exchange	5,061
As at May 31, 2018	1,984,288

The following table summarizes the continuity of the Company's goodwill:

As at February 28, 2018	340,455
Foreign exchange	43,218
As at May 31, 2018	383,673

9. LONG TERM INVESTMENTS

YLK Partners NV

On May 10, 2018, Future Farm entered into an agreement to acquire, for $647,029 (US$ $500,000), an ownership interest in YLK Partners NV which holds a contract to manage a licensed medical marijuana cultivation and processing facility being developed in Arizona. The owners of YLK Partners had a Letter of Intent in place to sell 100% of YLK Partners NV to Solis Tek, Inc. On May 10, 2018, Future Farm sold its interest in YLK Partners NV to Solis Tek in exchange for the 500,000 warrants for Solis Tek shares, exercisable at $0.01 per share. Solis Tek shares were trading at $1.04 per share. The effect of this transaction was to convert the Company's US$ 500,000 investment in YLK into the right to buy $520,000 worth of Solis Tek shares for $5,000.

BCWC, LLC ("BCWC")

On March 16, 2018, the Company entered into an agreement to invest, by loaning BCWC up to US$ 5,003,100 in convertible promissory notes. The terms of the promissory notes include 0% interest and are convertible at a purchase price equal to their original principal amount. As at May 31, 2018, Future Farms has advanced a total of $1,701,860 (US$ 1,325,000) in two separate payments. The full amount that has been advanced has been recorded as a long-term investment because there is no expectation of recovery of the loans and the intention is the investment in BCWC.

(Unaudited - Expressed in Canadian dollars)

10. INVESTMENT IN ASSOCIATES

FFPR, LLC

In February 2018, the Company acquired a 40% interest in FFPR, LLC ("FFPR"), a Puerto Rican company, for $1,088,022 (US$865,000) from TCG Investments ("TCG"), LLC and an individual. TCG and the individual have committed to contribute their 5 pre-qualifications for medical dispensary licenses to FFPR. The Company owns 40% of the capital of FFPR and has 50% interest in profits and losses. The assets of FFPR consist entirely of the licenses and there were no income or expenses for the three months ended May 31, 2018.

The Board of Directors is composed of 4 members and the Company has two members. There must be a majority of 50.1% voting in favor of any resolution which will in all cases require super majority vote of at least 3 of the 4 members to pass a resolution. The Company does not have voting control over FFPR or its Board of Directors and therefore it has significant influence but not the power to exercise control over FFPR. As a result, the investment in FFPR has been accounted for as an investment in associated company using the equity method.

NexTech

On May 20, 2018, the Company sold its app portfolio and AR licensing agreement to NexTech, a related party by way of common directors (Note 8). As a result of the sales transactions, the Company holds a 35% interest in NexTech with an original acquisition cost equal of $1,400,000. At May 31, 2018, the Company's investment, less its share of accumulated equity losses was $1,283,280. The Company's share of the net loss for the three months ended May 31, 2018 was $116,720.

The Company has a minority position on the Board of NexTech, and does not control operational decisions. The Company's judgment is that it has significant influence, but not control and accordingly equity accounting is appropriate.

As at May 31, 2018, the associated companies' aggregate assets, aggregate liabilities and net loss for the three months then ended are as follows:

	Nextech	FFPR
Aggregate assets	$ 4,971,711	$ 1,088,022
Aggregate liabilities	(378,055)	-
Loss for the period	(337,032)	-
The Company's ownership %	34.63%	40.00%
The Company's share of loss for the period	(116,720)	-

As at February 28, 2018, the associated companies' aggregate assets, aggregate liabilities and net loss for the year ended are as follows:

	Nextech	FFPR
Aggregate assets	$ -	$ 1,088,022
Aggregate liabilities	-	-
Loss for the period	-	-
The Company's ownership %	0.00%	40.00%
The Company's share of loss for the period	-	-

(Unaudited - Expressed in Canadian dollars)

11. NON-CONTROLLING INTERESTS

Non-controlling interest includes a 25% interest in TerraCity and a 20% interest in FFM Consulting Services ("FFM").

		May 31, 2018		February 28, 2018
Non-controlling interest, beginning of period	$	250,470	$	300,291
Share of loss		(2,282)		(49,821)
Non-controlling interest, end of period	$	248,188	$	250,470

The following is the summarized statement of financial position of TerraCity and FFM as of May 31, 2018.

		TerraCity		FFM
Current:				
Assets	$	-	$	18,523
Liabilities		(257,058)		(481,041)
Total current net assets (liabilities)		(257,058)		(462,518)
Non-current:				
Assets		1,458,216		202,006
Total non-current net assets (liabilities)		1,458,216		202,006
Total net assets (liabilities)	$	1,201,158	$	(260,512)

The following is the summarized comprehensive loss of TerraCity and FFM for the three months ended May 31, 2018.

		TerraCity		FFM
Revenues	$	-	$	-
Net and comprehensive loss	$	-	$	(11,480)

The following is the summarized statement of financial position of TerraCity and FFM as of February 28, 2018.

		TerraCity		FFM
Current:				
Assets	$	-	$	19,298
Liabilities		(257,058)		(481,041)
Total current net assets (liabilities)		(257,058)		(461,743)
Non-current:				
Assets		1,458,216		212,639
Total non-current net assets (liabilities)		1,458,216		212,639
Total net assets (liabilities)	$	1,201,158	$	(249,104)

The following is the summarized comprehensive loss of TerraCity and FFM for the year ended February 28, 2018.

		TerraCity		FFM
Revenues	$	-	$	11,929
Net and comprehensive loss	$	-	$	(249,103)

(Unaudited - Expressed in Canadian dollars)

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	May 31, 2018	February 28, 2018
Trade accounts payable	$ 672,968	$ 704,416
Accrued liabilities	449,173	351,032
Due to related parties (Note 13)	304,069	367,470
	$ 1,426,210	$ 1,422,918

The Company is involved in various legal claims and legal actions in the ordinary course of business. The claims were initiated by the Company's former landlord and lender. As of May 31, 2018, a litigation provision of $190,000 for the claims (February 28, 2018 - $190,000) was recorded in accrued liabilities.

13. RELATED PARTY TRANSACTIONS

The aggregate value of transactions relating to key management personnel are as follows:

	Three months ended May 31, 2018	Three months ended May 31, 2017
Management Fees	$ 57,591	60,263
Consulting Fees	51,715	50,454
Project Management	92,032	75,038
Professional Fees	8,303	19,860
Swap fees	226,254	-
	$ 435,895	$ 205,615

During the three months ended May 31, 2018, the Company entered into a swap fee agreement with the CEO of the Company in which the CEO and director agreed to exchange 1,500,000 free trading shares of the Company with holders of 1,500,144 restricted shares of the Company. An exchange fee of $226,254 was paid on this transaction and recorded as an expense.

Other related party transactions consist of the following:

Service or Item	Three months ended May 31, 2018	Three months ended May 31, 2017
Office Rent	$ 7,050	$ 7,050

Amounts due to related parties as of May 31, 2018 and February 28, 2018 are as follows:

Related Party Liabilities	May 31, 2018	February 28, 2017
Due to TerraSphere Systems	$ 97,540	$ 97,540
Due to CEO of the Company	112,273	155,864
Due to Companies controlled by directos of the Company	94,256	114,066
	$ 304,069	$ 367,470

14. LOANS PAYABLE

During the year ended February 28, 2018, in connection with the acquisition of a farm (Note 8) the Company entered into a promissory note whereby the Company agreed to pay $103,036 (USD$80,000) in 6 consecutive monthly instalments of $13,333 commencing on December 1, 2017 with the remaining principal balance and accrued interest fully repaid on May 1, 2018. The note payable bears interest at a rate of 6% per annum and is secured by certain mortgage deeds of the Company. During the three months ended May 31, 2018, the loan was repaid in full.

(Unaudited - Expressed in Canadian dollars)

14. LOANS PAYABLE (Continued)

On December 18, 2014, the Company's subsidiary, TerraCity entered into a loan agreement with a third party whereby it borrowed US $100,000 and agreed to pay US$120,000 on February 17, 2015 (of which the $26,218 (US$20,000) arrangement fee was recorded as an interest expense during the year ended February 28, 2017. During the year ended February 28, 2017, the Company repaid $98,475 (US$75,000) of the note and during the year ended February 28, 2018, the Company repaid $32,286 (US$25,000). The Company is currently in default on this payment and as at May 31, 2018 the Company owed $25,581 (US$20,000).

A continuity of the loans payable is as follows:

		May 31, 2018		February 28, 2018
Balance at the beginning of the period	$	128,618	$	59,225
Loans payable issued for acquisition of land		-		103,046
Repayments of loans payable		(103,046)		(32,286)
Foreign exchange		9		(1,367)
Balance at the end of the period	$	25,581	$	128,618

15. FINANCE LEASE FACILITY

On August 1, 2017, the Company executed a definitive Master Lease Agreement ("Master Lease") in respect of a $629,525 (USD$500,000) equipment lease facility ("Equipment Facility") to be secured by the Company's extraction equipment and lab processing equipment (Note 7). The term of the Equipment Facility is three years from delivery and has a monthly lease rental payment based on a monthly lease rate factor of 3.4718% of the capital cost. The Company has the option to purchase all but not less than all of the equipment under this Master Lease for the then fair market value which shall not exceed 20% of the capital costs.

As at February 28, 2018, the Company had received proceeds of $199,593 (US$ 160,929) for the Equipment Facility. Pursuant to the agreement, the Company agreed to pay a one-time commitment fee of US$ 10,000 and issue 1,250,000 share purchase warrants of its common stock for proceeds up to US$ 500,000. The share purchase warrants are exercisable at $0.20 for up to 5 years and had an estimate fair value of $166,064. As it is uncertain that the Company will execute the full commitment of US$ 500,000, the commitment fee and the fair value of share purchase warrants were expensed during the year ended February 28, 2018.

A continuity of the Equipment Facility is as follows:

		May 31, 2018		February 28, 2018
Total minimum lease payments payables	$	169,957	$	193,713
Portion representing interest to be expensed of the remaining term of the leases		(19,798)		(23,756)
Principal outstanding		150,159		169,957
Less: Current portion		(65,539)		(84,620)
Non-current portion	$	84,620	$	85,337

16. MORTGAGE PAYABLE

During the year ended February 28, 2017, the Company acquired 3 parcels of land in Florida. The consideration paid totaling $1,015,547 included the assumption of the mortgages outstanding on these parcels of land at the time of acquisition of $851,885. The mortgages bear interest at 4.5% per annum and have maturity dates through to May 2, 2029.

If at any time up to five years from the acquisition date (the "Expiration Date"), the Company has been unable to obtain a Florida State license to cultivate cannabis (the "license") it has the right to return the property to the vendor

16. MORTGAGE PAYABLE (Continued)

which will agree to an assumption of the existing mortgages on which the principal and accrued interest outstanding is not to exceed the total amount as of the date of acquisition and the Company will have no further obligation or payment due.

If the Company is unable to obtain the license, the vendor will have 180 days from the Expiration Date, within which to exercise the option to retake ownership of the property and assume the existing mortgages, on which the principal and accrued interest outstanding is not to exceed US$850,000.

During the three months ended May 31, 2018, the Company exercised the option for the vendor to assume the existing mortgages and returned the land (Note 7).

17. CONVERTIBLE DEBENTURES

Debenture 1 and 2

On December 21, 2017, the Company completed two secured convertible debenture offerings of USD$2,340,000 and USD$1,660,000 totalling USD$4,000,000. The convertible debentures mature on June 21, 2019, bear interest at 8% per annum payable at maturity and are convertible into common shares of the Company at the option of the holder at $0.30 and $0.60 respectively. In connection with the convertible debenture offerings, the Company issued 6,459,212 warrants to the debenture holder. As the convertible debenture is denominated in USD and is convertible into a variable number of the Company's common shares which are listed in Canadian dollars, the instrument contains an embedded derivative liability. The Company incurred total transaction costs of $210,000 and a commitment to issue 356,104 share purchase warrants, which were fully allocated to the derivative liability and therefore expensed. The share purchase warrants are exercisable at a price equal to 110% of the price of the Company's stock on December 21, 2017 for up to 5 years and had an estimated fair value of $265,101, recorded as commitment to issue securities.

During the year ended February 28, 2018, the holder elected to convert $600,000 (USD$476,600) of principal and accrued interest into 2,000,000 common shares (Note 18). Pursuant to the conversion, $4,534 of accrued interest was allocated to the fair value of the share issuance.

During the three months ended May 31, 2018, the holder elected to convert the remaining balance of the principal amount, $2,459,313 (US$ 1,868,990) and accrued interest related to Debenture 1 into 8,197,711 common shares. Pursuant to the conversion, $73,323 (U$ 55,915) of accrued interest was allocated to the fair value of the share issuance.

Debenture 3

On March 7, 2018, the Company completed a secured convertible debenture offering of US$ 4,000,000. The convertible debenture matures on September 7, 2019, bears interest at 8% per annum payable at maturity, and are convertible into common shares of the Company at the option of the holder at $0.58. In connection with the convertible debenture offerings, the Company issued 7,421,150 warrants to the debenture holder. As the convertible debenture is denominated in USD and is convertible into a variable number of the Company's common shares which are listed in Canadian dollars, the instrument contains an embedded derivative liability. The Company incurred total transaction costs of $180,752 (US$ 140,000).

17. CONVERTIBLE DEBENTURES (Continued)

On Mar 13, 2018, the holder elected to convert $1,164,072 (US$ 903,292) of principal and accrued interest into 2,000,000 common shares. Pursuant to the conversion, $6,791 of accrued interest was allocated to the fair value of the share issuance.

A continuity of the convertible debenture is as follows:

		May 31, 2018		February 28, 2018
Balance at the beginning of the period	$	1,112,632	$	-
Proceeds on issuance of convertible debt		5,172,800		5,087,199
Amounts allocated to conversion options - derivative liability		(3,721,117)		(4,079,693)
Accretion interest		455,654		105,859
Amounts converted to common shares		(346,985)		(733)
Balance at the end of the period	$	2,672,984	$	1,112,632

At May 31, 2018, the principal amount of convertible debentures outstanding is $4,515,034 (USD$3,529,990) plus accrued interest of $163,111 (US$ 126,440).

The conversion option on the convertible notes denominated in US dollars has been accounted for as a derivative liability as the number of shares or units issuable on conversion will vary as a result of changes in foreign exchange rates.

A continuity of the derivative liability is as follows:

		May 31, 2018		February 28, 2018
Balance at the beginning of the period	$	4,572,953	$	-
Recognized on issuance of convertible notes		3,721,117		4,079,693
Net change in fair value recognized as a loss (gain)		(2,647,572)		3,065,741
Liability reversed on convesion to common shares		(3,479,047)		(2,572,481)
Balance at the end of the period	$	2,167,451	$	4,572,953

The fair value of the derivative liability was estimated using the Black-Scholes Option Pricing model using the following assumptions:

	May 31, 2018	February 28, 2018
Expected life	1.00 years	1.31 years
Volatility	100%	100%
Risk free interest rate	1.87%	1.74%
Dividend yield rate	0%	0%

18. SHARE CAPITAL

Authorized

As at May 31, 2018, the authorized share capital of the Company was an unlimited number of common shares without par value.

Share Capital

Share transactions for the period ended May 31, 2018:

During March 2018, the Company received proceeds of $154,956, and issued 418,800 common shares from the exercise of 418,800 warrants. As part of the warrant exercises, the Company reversed $9,225 from reserves to share capital for warrants held by Brokers related to prior financings.

On April 5, 2018, the Company issued 2,000,000 common shares valued at $1,160,000 as partial redemption of Convertible Debenture 3 (Note 16).

On May 3, 2018, the Company issued 2,925,514 shares with a fair value of $0.62 per share for consulting services related to the investment in BCWC.

On May 14, 2018, the Company issued 8,197,711 commons shares valued at $2,459,313 on the redemption and conversion of Debenture 3.

Share transactions for the period ended May 31, 2017:

On March 3, 2017, the Company Issued 250,000 common shares to the members of the Company's Cannabis Advisory Board valued at $107,500 recorded as consulting fees.

On March 7, 2017, the Company closed a non-brokered private placement for 7,671,016 units (the "Units") at a price of $0.27 per Unit for gross proceeds of $2,071,174 (of which $664,207 was received at February 28, 2017). Each Unit is comprised of one common share and one-half share purchase warrant with each whole warrant exercisable at $0.37 per common share for one year with certain acceleration clauses. The Company paid share issuance costs of $244,250 and issued 408,168 broker's warrants valued at $97,048 associated with the private placement.

On March 9, 2017, the Company Issued 5,000,000 common shares valued at $2,150,000 to a third party as a finder's fee for a California Extraction License which was recorded as an expense and included in share-based payments.

On April 12, 2017, the Company received proceeds of $50,000, and issued 500,000 common shares from the exercise of 500,000 warrants.

On April 25, 2017, the Company issued 750,000 common shares valued at $25,500 to the Chief Executive Officer of the Company for management compensation.

Stock Options

The Company adopted a stock option plan (the "Plan") pursuant to the policies of the Exchange. The maximum number of shares that may be reserved for issuance under the plan is limited to 10% of the issued common shares of the Company at any time. The vesting terms are determined at the time of the grant, subject to the terms of the plan.

(Unaudited - Expressed in Canadian dollars)

18. SHARE CAPITAL (Continued)

The changes in stock options outstanding for the three months ended May 31, 2017 and year ended February 28, 2018 are as follows:

	Number of Options		Weighted Average Exercise Price
Balance as at February 28, 2017	2,900,000	$	0.31
Granted	13,912,500		0.71
Exercised	(6,300,000)		0.26
Cancelled/Expired	(3,875,000)		1.24
Balance as at February 28, 2018	6,637,500	$	0.65
Granted	2,893,750		0.65
Cancelled/Expired	(3,206,250)		0.96
Balance as at May 31, 2018	6,325,000	$	0.49

The following table summarizes the stock options outstanding and exercisable at May 31, 2018:

Date Granted	Number Outstanding		Exercise Price	Number Exercisable	Expiry Date
October 7, 2016	2,150,000	$	0.31	2,150,000	October 7, 2021
March 8, 2017	500,000		0.42	500,000	March 8, 2022
August 23, 2017	500,000		0.195	500,000	August 23, 2022
February 8,2018	281,250		0.96	281,250	February 8, 2023
March 14, 2018	2,893,750		0.65	2,893,750	March 14, 2023
Total	6,325,000			6,325,000	

At May 31, 2018, the weighted average remaining life of the outstanding stock options was 4.17 years (February 28, 2018 – 4.41 years). On March 22, 2018, 3,206,250 options with an exercise price of $0.96 were amended for an exercise price that reflects current market conditions. The fair value of all compensatory options granted is estimated on the grant date using the Black-Scholes option pricing model.

The weighted average assumptions used in calculating the fair values are as follows:

Weighted average:		Three months ended May 31, 2018		Three months ended May 31, 2017
Risk free interest rate		1.99%		1.13%
Expected life of options in years		5		5
Expected dividend yield		0%		0%
Expected stock price volatility		167%		159.45%
Fair value per option	$	0.61	$	0.28

The weighted average grant date fair value of the options granted during the year was $0.61/share (2017 - $0.28/share).

(Unaudited - Expressed in Canadian dollars)

18. SHARE CAPITAL (Continued)

Share Purchase Warrants

The changes in share purchase warrants outstanding for the three months ended May 31, 2017 and year ended February 28, 2018 are as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance as at February 28, 2017	1,962,446	$	0.26
Issued	14,013,744		0.40
Exercised	(5,912,321)		0.33
Balance as at February 28, 2018	10,063,869	$	0.41
Issued	7,421,150		0.70
Exercised	(418,800)		0.37
Cancelled/Expired	(50,000)		0.37
Balance as at May 31 2018	17,016,219	$	0.54

As at February 28, 2018, the following share purchase warrants were outstanding:

Date Granted	Exercise Price	Number of Warrants	Expiry Date
August 4 ,2017	0.20	1,250,000	August 4, 2022
November 22, 2017	0.20	1,529,753	November 22, 2018
December 21, 2017	0.40	5,000,000	December 21, 2020
December 21, 2017	0.72	1,459,212	December 21, 2020
December 21, 2017	0.88	356,104	December 21, 2020
March 7, 2018	0.70	7,421,150	March 7, 2021
Total		17,016,219	

Included in the above warrants outstanding are commitments to issue the following warrants:

- 356,104 warrants as finders' fee for the issuance of convertible debentures (Note 17);
- 1,250,000 warrants as fees for the Finance Lease Facility (Note 15);

The weighted average remaining life of the warrants as at May 31, 2018 is 2.58 years (February 28, 2018 - 2.56 years.)

The fair value of all broker's warrants is estimated on the grant date using the Black-Scholes pricing model. The weighted average assumptions used in calculating the fair values are as follows:

Weighted average:		Three months ended May 31, 2018		Three months ended May 31, 2017
Risk free interest rate		-		1.13%
Expected life of warrant in years		-		5
Expected dividend yield		-		0%
Expected stock price volatility		-		159%
Fair value	$	-	$	0.28

Share-based Payments

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option shall not be less than the market

(Unaudited - Expressed in Canadian dollars)

18. SHARE CAPITAL (Continued)

price of the Company's stock on the grant date. The option period shall be a period of time fixed by the Board not to exceed the maximum term permitted by the Exchange. The options granted vest at the discretion of the Board.

The Company recognized $1,844,330 (2017 - $277,583) in share-based compensation expense during the period ended May 31, 2018 of which $30,512 (2017 - $Nil) related to the incremental cost for options for which terms were modified during the period. The Company also issued Nil (2017 – 5,000,000) common shares valued at $Nil (2017 - $2,150,000) to a third party as a finder's fee for a California Extraction License which was recorded to share-based compensation, and issued 2,925,514 (2017 – Nil) commons shares valued at $1,813,819 (2017 - $Nil) for consulting services in connection with the BCWC investment (Note 9).

The weighted average assumptions used in calculating the share-based compensation attributable to options are as follows:

Weighted average:	Three months ended May 31, 2018	Three months ended May 31, 2017
Risk free interest rate	1.99%	1.75%
Expected life of options in years	5	5
Expected dividend yield	0%	0%
Expected stock price volatility	167%	162.0%
Fair value	$ 0.61	$ 0.42

19. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure that optimizes the cost of capital within a framework of acceptable risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, and acquire or dispose of assets.

The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by the strength of the LED lighting and vertical farming markets, the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. There were no changes in the Company's approach to capital management during the three months ended May 31, 2018. The Company is not subject to any external capital requirements.

20. FINANCIAL INSTRUMENT RISK MANAGEMENT

Financial assets and liabilities measured at fair value are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

> Level 1- Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
> Level 2 - Values based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

20. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

The fair value of cash is measured at Level 1 of the fair value hierarchy. The fair value of receivables, accounts payable and accrued liabilities, note payable, and amounts due to related parties approximates fair value due to the short-term nature of the financial instruments. The Company classified and measures its receivables at amortized cost. Accounts payable and accrued liabilities note payable, due to related parties and mortgage payable are classified and measured amortized cost.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy. The carrying amounts of current financial instruments are a reasonable estimate of their fair values because of their current nature.

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit Risk

Credit risk arises from cash held with banks and financial institutions and receivables. The maximum exposure to credit risk is equal to the carrying value of these financial assets. The Company's cash is primarily held with a major Canadian bank.

Currency Risk

A portion of the Company's financial assets and liabilities are denominated in US dollars. The Company monitors this exposure but has no hedge positions.

Interest Rate Risk

Interest rate risk mainly arises from the Company's cash, which receives interest based on market interest rates. Fluctuations in cash flows due to changes in market interest rates are negligible.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its current obligations as they become due. The majority of the Company's accounts payable and accrued liabilities are payable in less than 90 days. The Company prepares annual budgets and monitors expenditures to manage short-term liquidity. Due to the nature of the Company's activities, funding for long-term liquidity needs is dependent on the Company's ability to obtain additional financing through various means, including equity financing.

21. COMMITMENTS

In May 2016, the Company entered into a management contract with the Chief Executive Officer ("CEO") of the Company. Subject to the terms of the agreement, if the contract is terminated without cause, the officer will be entitled to cash severance of US $180,000 plus an advance for one year's rent on the officers' current apartment.

In June 2016, the Company entered into an agreement with CBO Financial Inc. ("CBO") whereby CBO will assist the Company in securing "New Market Tax Credits" of up to $6,000,000. A director of the Company is the Chief Executive Officer of CBO. In connection with their services, CBO will be paid a closing fee equal to 6% of the credit and in addition will incur on going management fees equal to 0.5% of the credit for 7 years.

(Unaudited - Expressed in Canadian dollars)

21. COMMITMENTS (Continued)

In January 2017, the Company signed a lease agreement with Baywood Nurseries Company, Inc. for premises in the County of Orange, State of Florida. The term of the lease is one year starting January 1, 2018, with option to renew for one year. The Company renewed the option. During the term of the lease the Company agrees to pay $30,000 per year.

In February 2017, the Company entered into a project management and consulting services agreement with CBO in connection with TerraCity's proposed Baltimore and Mobile projects. As at May 31, 2018, US$ 68,000) was due to this company. On March 29, 2018 the agreement was renewed and the Company will pay CBO US$ 24,000 monthly.

In May 2017, the Company signed a 12-month lease agreement with a company controlled by a director of the company. The monthly payment is $2,758 and the lease term has a 1-year option. The lease automatically renewed in May 2018.

In December 2017, the Company signed a lease agreement with Haymart, LLC for 100 acres in Maine. The term of the lease is 4 years starting January 1, 2018. During the term of the lease the Company agrees to pay $100,000 per year.

In January 2018, the Company entered into a lease agreement with 248 Northport LLC for premises at 248 Northport Ave Belfast. The term of the lease is 2 years starting February 1, 2018. During the year of the lease the Company agrees to pay $42,120 USD per year.

In March 2018, FFPR, the Company's affiliate in Puerto Rico, signed a lease for a medical dispensary location in the Condado district of San Juan. The build out of this location is expected to begin in the near future.

In May 2018, Future Farm agreed to acquire 50% of CEPG Consulting and Design Inc., a Canadian corporation owned and managed by Chris Snellen, an experienced grower in Newfoundland. CEPG will partner with the previously announced Rahan JV to conduct research and development of controlled-environment plant growth systems. CEPG will apply for a Dealer License with Health Canada, which will enable CEPG to conduct research and development and store cannabis derivatives that are not currently covered under the Access to Cannabis for Medical Purposes Regulations ("ACMPR"). The Dealer's License is also expected to permit CEPG to export cannabis oils and concentrates to international markets, as well as to process natural health products.

22. SEGMENTED INFORMATION

The Company has four reportable segments arising from its different product lines, being that of: (a) indoor plant growth technology specializing in LED lighting and vertical farming solutions primarily based in Canada and the United States; (b) the sale of apps and related advertising on IOS and Android platforms globally; (c) sale of cannabis oil and (d) the operation of an ornamental plant greenhouse. Capital assets are located primarily in the United States. Revenues by product line are as follows:

Period ended May 31, 2018	Revenue	Cost of Goods Sold	Gross Profit
Nursery plants	$ 1,300,353	$ (1,212,544)	$ 87,809
LED lighthing	4,396	(2,072)	2,324
Cannabis oil	-	-	-
Total for continuing operations	1,304,749	(1,214,616)	90,133
Discontinued Operations			
APP portfolios	-	-	-
Total	$ 1,304,749	$ (1,214,616)	$ 90,133

(Unaudited - Expressed in Canadian dollars)

22. SEGMENTED INFORMATION (Continued)

Period ended May 31, 2017		Revenue		Cost of Goods Sold		Gross Profit
LED lighthing		40,905		(26,417)		14,488
Total for continuing operations		40,905		(26,417)		14,488
Discontinued Operations						
APP portfolios		44,649		-		44,649
Total	$	85,554	$	(26,417)	$	59,137

23. CONTINGENCIES

The Company is involved in various claims and legal actions in the ordinary course of business.

Claims were initiated by the Company's previous landlord and lender. As at May 31, 2018, the Company recorded a litigation provision of $190,000 (February 28, 2018 - $190,000) in connection with the claims.

24. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE

During the three months ended May 31, 2018, the Company completed two separate sales transactions for their portfolio of revenue generating apps and source code of the Company, and the AR EI LLC licensed technology, NexTech (Note 8). The transaction closed on March 20, 2018. As consideration of the sale, the Company received 13,000,000 shares of NexTech with a fair value of $1,400,000.

As the transactions occurred within the Disposal Group, the related assets and liabilities as at February 28, 2018 were reclassified as held for sale and classified as current.

On classification as held for sale, the Disposal Group was measured at the lower of its carrying value and its fair value less costs to sell. The resulted in an impairment charge of $1,470,887 which was attributed to prepaids and goodwill of the app portfolio.

The assets and liabilities of the Disposal Group are as follows:

		May 31, 2018		February 28, 2018
Assets				
Accounts receivable	$	-	$	23,456
Intangible asset - App portfolio		-		62,806
Intangible asset - License for augmented reality technology		-		1,150,000
Goodwill		-		163,738
Total assets		-		1,400,000
Liabilities	$	-	$	-

(Unaudited - Expressed in Canadian dollars)

24. ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE

The operations of the Disposal Group were as follows for the three months ended May 31, 2018 and 2017:

	Three months ended May 31, 2018	Three months ended May 31, 2017
Revenue	$ -	$ 44,649.00
Cost of good sold	-	(27,509.00)
Gross profit	-	17,140.00
Consulting expense	-	(32,250.00)
Depreciation	-	(14,048.50)
	$ -	$ (15,110)

25. SUBSEQUENT EVENTS

Subsequent to the three months ended May 31, 2018:

a) The Company granted incentive stock options to certain directors, officers, employees and/or consultants to acquire 1,000,000 common shares of the Company at an exercise price of $0.50 and 1,000,000 common shares of the Company at an exercise price of $0.45 per share. As per the Company's Stock Option Plan, the options expire five years from the date of grant and vest immediately.

b) On July 26, 2018, Future Farm conducted an annual general and special meeting of its shareholders. At the meeting the shareholders passed a special resolution authorizing a plan of arrangement among Future Farm, the Future Farm shareholders and NexTech. On July 31, 2018, the Supreme Court of British Columbia issued its final order approving the arrangement

On the effective date (the “Effective Date”) of the plan of arrangement, Future Farm will, effectively, spin-out 11,000,000 common shares of NexTech now owned by Future Farm to the Future Farm shareholders on a pro rata basis. Future Farm shareholders will then own approximately 25.86% of the issued and outstanding common shares of NexTech. On a per share basis, Future Farm shareholders would be entitled to receive, for every one common share of Future Farm held by them, a fraction of a NexTech common share equal to the quotient of 11,000,000 NexTech common shares divided by the number of Future Farm common shares outstanding on the close of business on the last trading day on the CSE immediately prior to the Effective Date. For example, based on the 125,577,358 Future Farm common shares issued and outstanding as of June 22, 2018, Future Farm shareholders would be entitled to receive, for every one Future Farm common share held, approximately 0.0876 of a NexTech common share. The actual ratio will be different because it is not possible at this time to know the exact number of Future Farm shares that will be outstanding on the last trading day before the Effective Date.

The last trading day on the CSE immediately prior to the Effective Date will also be the record date for the distribution of NexTech shares (the “**Share Distribution Record Date**”). In other words, any Future Farm shareholder of record on the Share Distribution Record Date will be the shareholder who receives the NexTech shares to be spun out