KANEH BOSM BIOTECHNOLOGY INC.

Consolidated Financial Statements
For the years ended February 28, 2018 and 2017

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kaneh Bosm Biotechnology Inc.:
We have audited the accompanying consolidated financial statements of Kaneh Bosm Biotechnology Inc., which comprise the consolidated statements of financial position as at February 28, 2018, and the consolidated statements of comprehensive loss, changes in shareholders' deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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 in our audit 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 Kaneh Bosm Biotechnology Inc.. as at February 28, 2018, and its financial performance and its cash flows for the year then ended 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 certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Kaneh Bosm Biotechnology Inc.'s ability to continue as a going concern.

Other Matter

The consolidated financial statements of Kaneh Bosm Biotechnology Inc. for the year ended February 28, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on June 28, 2017.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
June 27, 2018

KANEH BOSM BIOTECHNOLOGY INC.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at February 28,

		2018		2017
ASSETS				
Current				
Cash	$	73,491	$	14,405
Sales tax receivable		23,638		8,657
Prepaids and deposits (note 4)		8,685		2,000
Total assets	$	105,814	$	25,062
LIABILITIES				
Current liabilities				
Accounts payable (note 8)	$	187,195	$	277,016
Loans payable (note 6)		15,000		17,000
Total liabilities		202,195		294,016
SHAREHOLDERS' DEFICIT				
Equity attributable to shareholders				
Share capital (note 7)		3,665,777		3,125,552
Obligation to issue shares		-		25,000
Reserve		1,358,116		711,868
Accumulated deficit		(5,120,274)		(4,131,374)
Total deficit		(96,381)		(268,954)
Total liabilities and deficit	$	**105,814**	**$**	**25,062**

Nature of continuation of operations (note 1)
Subsequent events (note 12)

Authorized for issue by the Board of Directors on
June 27, 2018 and signed on its behalf.

"Rudy de Jonge"	*"Michael Martinz"*
Director	Director

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

KANEH BOSM BIOTECHNOLOGY INC.

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
Years ended February 28,

	2018	2017
General and administrative expenses		
Accounting and audit fees	$ 10,700	$ 10,624
Consulting fees (note 8)	259,315	181,917
Interest expense and bank charges	13,163	1,762
Legal fees	24,018	42,206
Office and administration	1,422	1,362
Share-based payments (notes 7 and 8)	646,248	94,619
Transfer agent and filing fees	25,136	18,841
Travel and entertainment	11,332	42,996
Website, advertising and promotion	-	2,400
Total expenses	(991,334)	(396,727)
Other items		
Gain on settlement of debt	(2,500)	-
Loss on write-off of inventory	-	(35,481)
Loss on write-down of deposit (note 4)	-	(75,900)
Loss on write-off of exploration and evaluation asset (note 5)	-	(264,423)
Foreign exchange gain (loss)	66	(5,365)
Net loss and comprehensive loss for the year	$ **(988,900)**	$ **(777,896)**
Loss per share, basic and diluted	$ (0.06)	$ (0.07)
Weighted average common shares outstanding - basic and diluted	**16,655,251**	**11,345,432**

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

KANEH BOSM BIOTECHNOLOGY INC.
Consolidated Statements of Changes in Shareholders' deficit
(Expressed in Canadian Dollars)

	Common Shares					
	Number of Shares	**Amount**	**Obligation to Issue Shares**	**Reserve**	**Deficit**	**Total Shareholders' Deficit**
Balance, February 29,2016	8,661,870	$ 2,731,552	$ -	$ 617,249	$ (3,353,478)	$ (4,677)
Shares issued for private placement (note 7)	4,000,000	394,000	-	-	-	394,000
Grant of stock options	-	-	-	94,619	-	94,619
Share subscription received	-	-	25,000	-	-	25,000
Net loss for the year	-	-	-	-	(777,896)	(777,896)
Balance, February 28, 2017	12,661,870	3,125,552	25,000	711,868	(4,131,374)	(268,954)
Shares issued for private placement (note 7)	8,845,238	488,125	(25,000)	-	-	463,125
Grant of stock options	-	-	-	646,248	-	646,248
Exercise of warrants	350,000	45,500	-	-	-	45,500
Shares issued as interest on loan (note 7)	22,000	6,600	-	-	-	6,600
Net loss for the year	-	-	-	-	(988,900)	(988,900)
Balance, February 28, 2018	**21,879,108**	**$ 3,665,777**	**$ -**	**$ 1,358,116**	**$ (5,120,274)**	**$ (96,381)**

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

KANEH BOSM BIOTECHNOLOGY INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Years ended February 28,

	2018	2017
Operating activities:		
Net loss for the year	$ (988,900)	$(777,896)
Adjustments for non-cash items:		
Shares issued for interest payment	6,600	-
Share-based payments	646,248	94,619
Changes in non-cash working capital:		
Prepaids	(6,685)	84,655
Inventory	-	35,481
Receivables	(14,981)	3,002
Accounts payable and accrued liabilities	(89,821)	140,894
Net cash used in operating activities	**(447,539)**	**(419,245)**
Financing activities:		
Loans payable (repayment)	(2,000)	5,000
Proceeds from private placement	463,125	394,000
Share subscriptions received	-	25,000
Proceeds on warrant exercise	45,500	-
Net cash provided by financing activities	**506,625**	**424,000**
Net change in cash	59,085	4,755
Cash, beginning of year	14,405	9,650
Cash, end of year	**$ 73,491**	**$ 14,405**

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

1. NATURE OF OPERATIONS

Kaneh Bosm Biotechnology Inc., ("the Company") was incorporated on March 1, 2006 pursuant to the Business Corporations Act, (British Columbia) under the name Red Hill Resources Inc. As of March 28, 2014, the Company changed its business from natural resources to the Cannabis sector and subsequently changed its name to Kaneh Bosm BioTechnology Inc. The shares of the Company are traded on the Canadian Securities Exchange ("CSE") under the symbol "KBB". The Company's head office and registered and records office is 789 West Pender Street, Suite 810, Vancouver, BC, Canada, V6C 1H2.

On May 5, 2014, the Company incorporated a wholly–owned subsidiary company named BC Chronic Inc. under the Business Corporations Act (British Columbia). On June 20, 2014, the Company changed the subsidiary name from BC Chronic Inc. to 1001350 B.C. Ltd., and on June 25, 2014, the Company changed the subsidiary's name to Kaneh Bosm BioTechnology Inc.

These consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations for the foreseeable future.

The Company has a working capital deficit as at February 28, 2018 of $96,381 (2017 - $268,954) and an accumulated deficit of $5,120,274 (2017 - $4,131,374). The Company's ability to continue as a going concern is in significant doubt and is dependent upon the continuing support of its directors, obtaining additional financing to meet its obligations, repaying its liabilities through settlement with its creditors and generating sufficient cash to meet its operating expenses in the future. Failure to arrange adequate financing on acceptable terms and to achieve profitability would have an adverse effect on the financial position, results of operations, cash flows of the Company.

Management is currently seeking to acquire marijuana-related projects. The Company will continue to look at new opportunities that will potentially increase shareholder value. Management recognizes the Company's need to add to its cash reserves in the current year if it intends to execute to its plans. Although Management intends to assess and act on potential opportunities throughout the course of the year, there can be no assurance that the steps Management take will be successful.

In the event that cash flow from operations, together with the proceeds from any future financings are insufficient to cover planned expenditures, Management will allocate available resources in such manner as deemed to be in the Company's best interest. This may result in a significant reduction in the scope of existing and planned operations.

These financial statements do not reflect any adjustments related to the recoverability and classification of assets or the amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. STATEMENT OF COMPLIANCE

Basis of preparation

a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were approved and authorized for issue by the Board of Directors on June 27, 2018.

2. STATEMENT OF COMPLIANCE (Continued)

b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Company and its controlled entity's functional currency.

d) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its controlled entity. Control is achieved when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Significant Accounting Judgments, Estimates and Assumptions

The preparation of these financial statements in conformity of 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 year. 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statements of financial position date, could result in a material adjustment to the carrying amounts of assets or liabilities. In the event that actual results differ from the assumptions made, relate to, but are not limited to the following:

Share-based payments
The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes Option Pricing Model.

Deferred taxes
The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Significant Accounting Judgments, Estimates and Assumptions (Continued)

Going concern
Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the years ended February 28, 2018 and February 28, 2017. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded there are significant doubts as to the ability of the Company to meet its obligations as they fall due.

b) Impairment of Non-Financial Assets

The Company reviews and evaluates its property and equipment for indications of impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable or at least at the end of each reporting period. The asset's recoverable amount is estimated if an indication of impairment exists.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. Impairment losses reducing the carrying value to the recoverable amount are recognized in profit and loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

c) Foreign Currencies

The Company's functional and presentation currency is the Canadian dollar as this is the principal currency of the economic environment in which it operates. Transactions in foreign currencies (currencies other than Canadian dollars) are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

d) Financial Instruments

The Company's financial instruments consist of cash , accounts payable and loans payable. Cash is classified as FVTPL and recorded at fair value. Accounts payable and loans payables are classified as other financial liabilities, which are measured at amortized cost. The fair value of cash and accounts payable and loans payable are equal to their carrying value due to their short-term maturity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial Instruments (Continued)

Financial assets:

Financial assets are classified into one of four categories:

i. FVTPL;
ii. Held-to-maturity;
iii. Available-for-sale; and
iv. Loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

FVTPL – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. FVTPL are initially recognized at fair value with changes in fair value recorded through income.

Held-to-maturity
These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. Subsequent to initial recognition, these assets are measured at amortized costs using the effective interest method. If there is objective evidence that the asset 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 comprehensive loss.

Available-for-sale ("AFS")
Non-derivative financial assets not included in the above categories are classified as AFS. They are carried at fair value with changes therein, other than impairment losses, interest calculated using the effective interest method and foreign currency differences on AFS monetary items, recognized in other comprehensive income or loss. When an investment is derecognized or is determined to be impaired, the cumulative gain or loss previously recognized in equity is transferred to profit or loss for the period.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Effective interest method
The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as an objective evidence of impairment could include the following:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial Instruments (Continued)

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss I recognized directly in equity.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

De-recognition of financial assets
Financial assets are derecognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities and equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

FVTPL
This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive loss.

Other financial liabilities
Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company has classified accounts payable and accrued liabilities as other financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

De-recognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

e) Share-based Payments

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The Board of Directors grants such options for periods of up to five (5) years. With vesting periods determined at its sole discretion and at prices equal to the Discounted Market Price, as calculated pursuant to the policies of the CSE, or such other minimum price as may be require by the CSE.

The fair value is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black- Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the grantee at the date of modification over the remaining vested period.

f) Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net loss, except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current period and any adjustment to income taxes payable in respect of previous periods. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill, and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Earnings (Loss) Per Share

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings/loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

h) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

i) Comprehensive Income (Loss)
Comprehensive income is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income and other comprehensive income. The historical make up of net income has not changed. Other comprehensive income includes gains or losses, which IFRS requires be recognizing in a period, but excluding from net income for that period. The Company has no other comprehensive income during the years ended February 28, 2018 and 2017.

j) Share Purchase Warrants

The Company bifurcates units consisting of common shares and share purchase warrants using the residual value approach whereby it first measures the common share component of the unit at fair value using market prices as input values and then allocates any residual amount to the warrant component of the unit. The residual value of the warrant component is credited to reserves. When warrants are exercised, the corresponding residual value is transferred from reserves to share capital.

k) New Accounting Standards and Interpretations

The Company has not yet applied the following new standards, interpretations or amendments to standards that have been issued as at February 28, 2018 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations and intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the financial statements to be material, unless otherwise stated.

IFRS 9 Financial Instruments
The IASB intends to replace IAS 39, Financial Instruments: Recognition and Measurement in its entirety with IFRS 9, Financial Instruments (“IFRS 9”) and to reduce the complexity in the classification and measurement of financial instruments. The completed version of IFRS 9 includes classification and measurement, impairment and hedge accounting requirements and is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) New Accounting Standards and Interpretations (Continued)

IFRS 16 - Leases will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16.

4. DEPOSITS

During the year ended February 28, 2017 the Company wrote off deposits for cannabis dispensary equipment totaling $75,900.

5. MINERAL PROPERTY

Mexican Gold Concessions

During the year ended February 28, 2017, the Company wrote-off its interest in a Mexican mineral property and recorded an impairment charge of $264,423 to the statements of comprehensive loss as the Company has discontinued pursuing the project.

6. LOANS PAYABLE

As at February 28, 2018, the Company owed $15,000 (2017 - $12,000) to a third party and $nil (2017 - $5,000) to a related party. The loans are unsecured and bear no interest and are due on demand (note 8).

7. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) Issued: Common shares: 21,879,108 (2017: 12,661,870)

On November 2, 2017, the Company closed the second tranche of the 2017 Continuing Offering with the issue of 1,100,000 special warrants for gross proceeds of $57,750. Each special warrant entitles the holder to receive one common share and one share purchase warrant without any further contribution. The share purchase warrant entitles the holder to purchase an additional common share for $0.07 for a period of 24 months.

On September 12, 2017, the Company closed the first tranche of a non-brokered private placement of a continuing offering of 7,245,238 special warrants for gross proceeds of $380,375. Each unit consists of the one common share and one share purchase warrant. Each warrant is convertible into one common share at an exercise price of $0.07 per share and is exercisable for a period of two years.

On May 17, 2017, the Company consolidated its issued and outstanding share capital on the basis of one post-consolidation share for each two pre-consolidation common shares. No fractional shares were issued and any fraction will be rounded to the nearest whole number. These financial statements have been retroactively adjusted to reflect the post consolidation number of shares, options and warrants.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

On March 10, 2017, the Company issued 22,000 shares with a fair value of $6,600 pursuant to interest owing on a loan.

On March 6, 2017, the Company closed a non-brokered private placement of 500,000 units for gross proceeds of $50,000 at a price of $0.10 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each share purchase warrant is convertible into one common share at a price of $0.13 per share and is exercisable for a period of two years.

On July 6, 2016, the Company closed the second tranche of a brokered and non-brokered private placement and issued 500,000 shares at a price of $0.10 per share for a total proceeds of $50,000.

On June 27, 2016, the Company closed the first tranche of a brokered and non-brokered private placement and issued 3,500,000 shares at a price of $0.10 per share for a total proceeds of $350,000.

c) Stock Option Plan

The Company has a share option plan approved by the shareholders on August 4, 2010 that allows it to grant options, subject to regulatory terms and approval, to its officers, directors, employees and service providers. The share option plan is based on the maximum number of eligible shares equaling a rolling percentage of up to 10% of the Company's outstanding common shares, calculated from time to time.

Pursuant to the share option plan, if outstanding options are exercised, or expire, and/or the number of issued and outstanding common shares of the Company increases, then the options available to grant under the plan increase proportionately. The exercise price of each option is set by the Board of Directors within regulatory guidelines. Options can have a maximum term of five (5) years and typically terminate 90 days following the termination of the optionee's employment or engagement, except in the case of retirement or death. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

On December 18, 2017, the Company issued a total of 1,400,000 options to its directors, officers and consultants. The options are exercisable at $0.33 per share, with all options having a two-year expiry from date of issuance. The fair value of the options issued were valued using the Black-Scholes Option Pricing Model at $646,248 (note 8).

On June 29, 2016, the Company granted 475,000 stock options at an exercise price of $0.20 exerciseable for a five year term. The fair value of the options issued were valued using the Black-Scholes Pricing Model at $94,619 (note 8).

The fair value of each option granted was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2018	2017
Exercise price	$0.33	$0.20
Grant date fair value	$0.20	$0.20
Risk-free interest rate	1.57%	0.62%
Expected life	2 years	5 years
Expected volatility in market price of shares	219%	256%
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

Certain of these options vest immediately while the others vest over a three to four year period. Volatility is estimated using historical data of comparable publicly traded companies operating in a similar segment.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

c) Stock Option Plan (continued)

As at February 28, 2018, the Company has outstanding stock options exercisable to acquire 2,080,000 Shares as follows:

Number of Options Outstanding	Exercise Price	Expiry Date	Weighted Average Remaining Life (in Years)
80,000	$0.20	January 29, 2019	0.04
150,000	$0.37	April 3, 2019	0.08
100,000	$0.44	July 30, 2019	0.07
350,000	$0.20	June 29, 2021	0.56
1,400,000	$0.33	December 18, 2019	1.21
2,080,000			**1.96**

A summary of stock option activity is as follows:

	Number of Outstanding and Exercisable Options	Weighted Average Exercise Price
Balance, February 29, 2016	710,000	$ 0.280
Options granted	475,000	$ 0.200
Options expired	(150,000)	$ 0.140
Balance, February 28, 2017	**1,035,000**	**$ 0.270**
Options granted	1,400,000	$ 0.330
Options forfeited	(305,000)	$ 0.270
Options expired	(50,000)	$ 0.120
Balance, February 28, 2018	**2,080,000**	**$ 0.311**

d) Warrants

A summary of warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, February 29, 2016	2,674,973	$ 0.220
Warrants expired during the year	(2,674,973)	$ 0.200
Balance, February 28, 2017	**-**	**$ -**
Warrants issued during the year	8,845,238	$ 0.070
Warrants exercised during the year	(350,000)	$ 0.070
Balance, February 28, 2018	**8,495,238**	**$ 0.070**

8. RELATED PARTY TRANSACTIONS

The following directors and/or senior officers transacted with the Company in the reporting year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis. The aggregate value of transactions relating to key management personnel were as follows:

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS

		Years ended		
		2018		2017
St. Cloud Mining (Rudy de Jonge, CEO) – Consulting Fees	$	120,000	$	90,000
BridgeMark Financial Corp (Anthony Jackson, CFO) – Consulting fees		24,000		24,000
Director/officer of the Company		-		55,617
Total	**$**	**144,000**	**$**	**169,617**

During the year ended February 28, 2018, a total of 400,000 (2017 - 475,000) stock options were granted to directors and officers. The share-based payments related to the stock options granted to directors and officers amounted to $184,642 (2017 - $74,699) (note 7).

Included in accounts payable is $70,221 (2017: $147,286) payable to directors and officers of the Company. These amounts are non-interest bearing, unsecured and due on demand. As at Febraury 28, 2018 the Company owed $nil (2017 - $5,000) to a related party for a loan (note 6).

9. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has not generated any revenues since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of working capital and shareholders' equity. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year.

10. FINANCIAL INSTRUMENTS

The Company classifies its cash as financial assets at fair value through profit or loss and accounts payable and loans payable as other financial liabilities.

The fair value of accounts payable and loans payable approximate their carrying value due to the short-term nature of these liabilities.

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in IFRS 7 – *Financial Instruments – Disclosures.*

Level 1 – Observable inputs other than quoted prices include in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities that are not active; or other inputs that are observable or can be corroborated by observable market data. Cash is measured using Level 1 inputs.

Level 2 – Observable inputs other than quoted prices, included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities that are not active; or other inputs that are observable or can be corroborated by observable market data.

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS (continued)

Level 3 – Significant unobservable inputs which are supported by little or no market activity.

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash which are with a large Canadian financial institutions. The Company believes this credit risk is insignificant.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 28, 2018, the Company had cash balance of $73,491 (February 28, 2017: $14,405) to settle current liabilities of $202,195 (February 28, 2017: $294,016). In general, the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company believes it has no significant interest rate risk.

Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. Foreign currency risk for the Company was assessed as low.

11. INCOME TAXES

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of comprehensive loss for the years ended February 28, 2018 and February 28, 2017:

		February 28, 2018		February 28, 2017
loss before taxes	$	(988,900)	$	(777,896)
Statutory tax rate		26.00%		26.00%
Expected income recovery		(257,114)		(202,253)
Non-deductible items		168,894		44,530
Change in unrecognized deferred tax assets		88,220		157,723
Total income recovery	$	-	$	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The unrecognized deductible temporary differences at February 28, 2018 and February 28, 2017 are as follows:

		February 28, 2018		February 28, 2017
Financing costs	$	23,142	$	26,378
Cumulative eligible capital		264,423		264,423
Non-capital losses		2,909,688		2,567,142
Total unrecognized deductible temporary differences	$	3,197,253	$	2,857,943

(Expressed in Canadian Dollars)

11. INCOME TAXES (continued)

The Company has non capital loss carry forwards of approximately $2,909,688 (February 29, 2017: $2,567,142) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Year of expiry	$
2026	52,759
2027	86,479
2028	146,302
2029	132,390
2030	44,929
2031	388,986
2032	217,189
2033	302,883
2034	166,256
2035	376,989
2036	300,539
2037	351,441
2038	342,546
	2,909,688

The deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that future taxable profit will be available against which the Company can utilize such deferred tax assets.

12. SUBSEQUENT EVENTS

On April 5, 2018, the Company closed a non-brokered private placement consisting of 16,030,000 units at a price of $0.25 per unit for gross proceeds of $4,007,500. Each unit is comprised of one common share and one common share purchase warrant. Each warrant will be exercisable by the holder to purchase one additional common share per warrant at an exercise price of $0.50 for a period of two years.

On June 4, 2018, the Company closed a definitive agreement with Marathon Global Inc. ("Marathon") who has an exclusive agreement with a European based pharmaceutical distributor to procure and distribute medical cannabis products.. Under the terms of the agreement, the Company acquired 44.12% of its issued and outstanding share capital by issuing 15 million shares in exchange for 7,500,000 shares of Marathon. The Company also paid a finder's fee of 1,200,000 shares to an arm's length party in connection with the agreement.

On June 6, 2018, the Company closed a share purchase agreement with Marathon to purchase 1,000,000 common shares of Marathon at a price of $1.00 per share for total consideration paid of $1,000,000. Following completion of the share purchase agreement, the Company owns 50% of the issued and outstanding share capital of Marathon.

On June 20, 2018, the Company completed a share purchase agreement with 2635835 Ontario Inc. (d/b/a CanAfrica Holdings) to acquire 100% of its issued and outstanding share capital. CanAfrica Holdings holds a license to cultivate, manufacture, supply, hold, import, export and transport cannabis and derivative products. Under the terms of the agreement, the Company issued 29.5 million common shares and paid $1,300,000 cash. The Company issued 2.36 million common shares as a finder's fee to an arm's length finder in connection with the transaction contemplated in the agreement.

12. SUBSEQUENT EVENTS (Continued)

On June 20, 2018, the Company closed a $5,000,000 non-brokered private placement consisting of 10,000,000 units at a price of $0.50 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one additional common share at a price of $1.00 per share for a period of 12 months from issuance. Finder's fees of $60,000 cash and 120,000 finder's warrants on the same terms will be paid to two arm's length parties in connection with the private placement.

On June 21, 2018, the Company entered into a letter of intent ("LOI") with Canna Colombia Holdings Inc. to acquire 100% of its issued and outstanding share capital. Under the terms of the LOI, the Company will pay US$2.0 million, and will issue 30 million common shares. A finder's fee as per regulatory guidelines will also be payable.

On June 22, 2018, the Company granted incentive stock options to directors, officers, employees and consultants to purchase an aggregate of 7,591,911 common shares at an exercise price of $0.51 per common share for up to five years.

On June 26, 2018, the Company entered into a definitive agreement with Marathon Global Inc. to acquire the remaining 50% of the company. Under the terms of the agreement, the Company will issue 15 million shares. A finder's fee as per regulatory guidelines will also be payable.

In April and June 2018, 200,000 warrants and 50,000 options were exercised for gross proceeds of $20,000.