Tweed Marijuana Inc.

Condensed Interim Consolidated Financial Statements

(unaudited)

For the six months ended June 30, 2014 and 2013

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Tweed Marijuana Inc. for the six months ended June 30, 2014 have been prepared by Management and approved by the Board of Directors. The Company's independent auditors have not performed a review of these financial statements, in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Tweed Marijuana Inc.
Condensed Interim Consolidated Statements of Financial Position
As at June 30, 2014 and December 31, 2013
(in Canadian dollars)
(unaudited)

	June 30, 2014	December 31, 2013
	$	$
Assets		
Current assets		
Cash and cash equivalents	**12,249,087**	2,089,794
Restricted short-term investment	**10,000**	10,000
Accounts Receivable	**54,300**	-
HST recoverable	**1,322,405**	282,044
Inventory (Note 5)	**1,202,350**	-
Prepaid expenses (Note 6 and 13)	**563,593**	720,347
	15,401,734	- 3,102,185
Property, plant and equipment (Note 7)	**12,206,900**	2,005,208
Intangible assets (Note 8)	**52,206**	46,046
	27,660,840	5,153,439
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**1,637,544**	1,279,843
Park Lane liability (Note 9)	**1,500,000**	
Current portion of long-term debt (Note 8)	**0**	5,318
	3,137,544	1,285,161
Long-term debt (Note 10)	**0**	35,099
	3,137,544	1,320,260
Shareholders' equity		
Share capital (Note 10)	**28,531,889**	4,404,855
Share-based reserve	**633,444**	153,764
Warrants	**207,485**	207,485
Deficit	**(4,849,522)**	(932,925)
	24,523,296	3,833,179
	27,660,840	5,153,439

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

On behalf of the Board of Directors:

"Bruce Linton"	*"Chris Schnarr"*
Director	Director

Tweed Marijuana Inc.
Condensed Interim Consolidated Statements of Comprehensive Loss
For the three and six months periods ended June 30, 2014 and June 30, 2013
(in Canadian dollars)
(unaudited)

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
	$	$	$	$
Revenue				
Product Sales	188,236	-	188,236	-
Other Revenue	500	-	500	-
	188,736	-	188,736	-
Cost of goods Sold	78,957	-	78,957	-
Gross margin	109,779	-	109,778	-
Operating Expenses				
Sales and marketing	664,802	-	779,688	-
Research and development	60,415	-	60,415	-
General and administration	409,210	-	1,488,916	-
	1,134,427	-	2,329,018	-
Loss from operations	(1,024,648)	-	(2,219,240)	-
Other income (expenses)				
Interest income	12,128	-	7,353	-
Foreign exchange loss	0	-	(295)	-
Reverse acquisition transaction costs	0	-	(293,489)	
Listing expense	0	-	(966,303)	
Share - based compensation expense	(147,797)	-	(306,223)	
		-	-	-
	(135,669)	-	1,558,957	-
Net loss and comprehensive loss	(1,160,317)	-	(3,778,197)	-
Net loss per share, basic and diluted:		$0.00	$(1.47)	
Weighted average number of outstanding common shares: Basic and diluted		55,000	2,576,677	

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

Tweed Marijuana Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the six months ended June 30, 2014

(in Canadian dollars)

(unaudited)

	Number of shares	Share capital	Share-based reserve	Warrants	Deficit	Shareholders' equity
	#	$	$	$	$	$
Balance at January 1, 2013 and March 31, 2013	55,000	100	-	-	-	100
Balance at January 1, 2014	92,635	4,404,855	153,764	207,485	(932,925)	3,833,179
Equity financing - January 30, 2014	7,297	999,689	-	-	-	999,689
Share issuance costs	-	(83,107)	23,126	-	-	(59,981)
Equity financing - February 5, 2014	10,526	1,442,062	-	-	-	1,442,062
Equity financing - March 7, 2014	34,211	6,500,090	-	-	-	6,500,090
Share issuance costs	-	(673,659)	150,331	-	-	(523,328)
Exercise of Stock options - March 2014	5,692	750,000	-		-	750,000
Stock based compensation	-	-	158,426	-	-	158,426
Net loss	-	-	-	-	(2,756,280)	(2,756,280)
	150,361	13,339,930	485,647	207,485	(3,689,205)	10,343,857
Opening balance of LW Capital (Note 1)	7,260,000	570,984	63,010		(251,367)	382,627
Consolidation of LW Capital shares (Note 1)	(5,808,000)	-	-	-	-	-
Eliminate capital stock of Tweed Inc. (Note 1)	(150,361)	-	-	-	-	-
Eliminate LW Capital contributed surplus and deficit	-	(188,357)	(63,010)	-	251,367	-
Issuance of shares to former Tweed Inc. shareholders (Note 1)	32,042,607	966,303	-	-	-	966,303
Issuance of shares pursuant to Tweed Rights obligation (Note 11)	1,575,501	-	-	-	-	-
Balance at March 31, 2014	**35,070,108**	**14,688,860**	**485,647**	**207,485**	**(3,689,205)**	**11,692,787**
Equity Financing - May 14, 2014	4,687,500	15,000,000				15,000,000
Share issue costs		(1,261,052)				(1,261,052)
Exercise of stock options - April 2014	186,383	104,081				104,081
Stock-based compensation - April 2014			147,797			147,797
Net loss					(1,160,317)	(1,160,317)
Balance at June 30, 2014	39,943,991	28,531,889	633,444	207,485	(4,849,522)	24,523,296

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

Tweed Marijuana Inc.

Condensed Interim Consolidated Statements of Cash Flows
For the three and six months ended June 30, 2014 and 2013
(in Canadian dollars)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
	$	$	$	$
Net inflow (outflow) of cash related to the following activities:				
Operating				
Net loss	**(1,160,317)**	-	**(3,778,197)**	-
Items not affecting cash:			**-**	
Amortization of property, plant and equipment	**43,734**	-	**49,289**	-
Amortization of intangible assets	**5,755**	-	**8,222**	-
Stock-based compensation	**147,797**	-	**306,223**	-
Listing expense	**30,300**		**996,303**	
Changes in non-cash operating working capital items:			**-**	
HST recoverable	**(466,715)**	-	**(1,040,361)**	-
Prepaid expenses	**(260,374)**	-	**(359,188)**	-
Accounts receivable	**(54,300)**		**(54,300)**	
Inventory	**(1,134,800)**	-	**(1,202,350)**	-
Accounts payable and accrued liabilities	**(657,098)**	-	**1,002,613**	-
	(3,506,018)	-	**(6,076,672)**	-
Financing				
Issuance of common shares	**15,000,000**	-	**23,941,841**	-
Exercise of stock options	**104,081**	-	**854,081**	-
Share issue costs	**(1,261,052)**	-	**(1,720,183)**	-
Reverse acquisition cash acquired	0		449,274	
	13,843,029	-	**23,525,013**	-
Investing				
Payment on long-term debt	**(39,738)**	-	**(40,417)**	-
Purchase of leasehold improvements	**(1,173,171)**	-	**(2,006,975)**	-
Purchase of intangibles	**(8,626)**		**(8,626)**	
Purchase of land	**(722,821)**		**(722,821)**	
Purchase of equipment	**(5,343,675)**	-	**(6,020,209)**	-
Park Lane liability	**1,500,000**	-	**1,500,000**	-
	(5,788,031)	-	**(7,289,048)**	-
Increase in cash	**4,548,980**	-	**10,159,293**	-
Cash, beginning of period	**7,700,107**	**100**	**2,089,794**	100
Cash, end of period	**12,249,087**	**100**	**12,249,087**	100

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

1. Description of business

Tweed Marijuana Inc. ("Tweed Marijuana" or the "Company"), formerly LW Capital Pool Inc. ("LW Capital"), is the parent company of Tweed Inc. ("Tweed") and Prime 1 Construction Services Corp. ("Park Lane") both licensed producers of medical marijuana in Canada. The principal activities of Tweed are the production and sale of medical marijuana and Park Lane is the growing of medical marijuana as regulated by Marihuana for Medical Purposes Regulations. Tweed Marijuana is a publicly traded corporation, incorporated in Canada, and its head office is located at 1 Hershey Drive, Smith Falls, Ontario. The Company's common shares are listed on the TSX Venture Exchange ("TSXV"), under the trading symbol "TWD".

The Company was incorporated under the name "LW Capital Pool Inc." by articles of incorporation pursuant to the *Canada Business Corporations Act* on August 5, 2009 and after completing its initial public offering of shares on the TSXV on June 4, 2010 it was classified as a Capital Pool Corporation as defined in policy 2.4 of the TSXV. The principal business of the Company at that time was to identify and evaluate assets or businesses with a view to completing a qualifying transaction (a "Qualifying Transaction") under relevant policies of the TSXV.

On March 26, 2014, the Company completed its Qualifying Transaction which was effected pursuant to an agreement between the Company and Tweed. As part of the Qualifying Transaction, the Company changed its name to Tweed Marijuana Inc. and consolidated its 7,260,000 shares on a 5 to 1 basis to 1,452,000. Following this change, Tweed amalgamated with 2405882 Ontario Inc., a wholly owned subsidiary of Tweed Marijuana, formed solely for the purpose of facilitating the Qualifying Transaction. In connection with that amalgamation, Tweed Marijuana acquired all of the issued and outstanding shares of Tweed and the former shareholders of Tweed were issued a total of 32,042,607 post-consolidation common shares. In addition, 3,124,651 common shares of Tweed Marijuana have been reserved for options and warrants issued to the holders of Tweed options and warrants. Immediately following closing, Tweed Marijuana Inc. had a total of 35,070,108 common shares outstanding.

Upon closing of the transaction, the shareholders of Tweed owned 95.64% of the common shares of the Company and as a result, the transaction is considered a reverse acquisition of the Company by Tweed. For accounting purposes, Tweed is considered the acquirer and the Company the acquiree. Accordingly, the consolidated financial statements are in the name of Tweed Marijuana Inc. (formerly LW Capital Pool Inc.), however they are a continuation of the financial statements of Tweed which has a financial year end of March 31, 2014. Additional information on the transaction is disclosed in note 4.

Park Lane was acquired on June 18, 2014 and received it's license to grow medical marijuana on August 15, 2014. Additional information on the transaction is disclosed in note 9.

2. Basis of preparation

Statement of compliance

These condensed interim consolidated financial statements of the Company were prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34")

These consolidated financial statements were approved and authorized for issue by the Board of Directors on August 27, 2014. The consolidated financial statements include the accounts of Canadian entities Tweed Marijuana Inc. and its wholly-owned subsidiaries Tweed Inc., and Prime 1 Construction Services Corp. All companies have the same reporting period. All intercompany transactions, balances, revenues and expenses have been eliminated. These condensed interim consolidated financial statements do not contain all of the information and disclosures required for annual financial statements, and should be read in conjunction with the Company's July 31, 2013 annual audited consolidated financial statements as well as Tweed Inc.'s December 31, 2013 annual audited financial statements as included in the Company's March 26, 2014 Filing Statement as disclosed on Sedar (www.sedar.com).

2. Basis of preparation (Continued)

Basis of measurement

These statements have been prepared on a historical cost basis except for stock-based compensation and in-process inventory , which are measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. The expenses within the statements of comprehensive loss are presented by function.

3. Significant accounting policies

(a) Foreign currency translation

All figures presented in the financial statements and tabular disclosures to the financial statements are reflected in Canadian dollars, which is the functional currency of the Company and it's subsidiaries.

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Equipment

Equipment is measured at cost less accumulated amortization and impairment losses. Amortization is provided using the following terms and method:

Property, Plant and equipment	Straight-line	20 years
Computer, software	Straight-line	3 years
Leasehold improvements	Straight-line	20 years
Office equipment	Straight-line	5 years
Greenhouse	Straight-line	25 years
Building	Straight-line	15 years

An asset's residual value, useful life and amortization method are reviewed at each financial year and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of the equipment and are recognized in profit or loss.

Leaseholds in progress are transferred to equipment when the assets are available for use. Amortization of these transferred assets commences at that point.

3. Significant accounting policies (continued)

(c) Finite-life intangible assets

Finite-life intangible assets are comprised of a domain name and patents, which are recorded at cost less accumulated amortization and accumulated impairment losses. The domain name is amortized on a straight-line basis over five years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(d) Impairment of long-lived assets

Long-lived assets, including equipment and intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an Impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

(e) Inventories

Finished goods inventory and bought out inventory is recorded at the lower of cost or net realizable value. In harvest inventory is recorded at fair market value.

(f) Leased assets

Leases are classified as an operating lease whenever the terms of the lease do not transfer substantially all of the risks and rewards of ownership to the lessee. Lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which the economic benefits are consumed.

(g) Revenue recognition

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. Significant accounting policies (continued)

(h) Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized in profit and loss as incurred. To date, no development costs have been capitalized.

(i) Income taxes

The Company uses the liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

(j) Share-based compensation

The Company has an employee stock option plan. The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate.

For stock options granted to non-employees the compensation expense is measured at the fair value of the good and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based reserve to share capital.

(k) Earnings per share

The Company presents basic and diluted earnings per share date for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise warrants and share options issued.

3. Significant accounting policies (continued)

(l) Financial instruments

Financial assets

The Company initially recognizes financial assets at fair value on the date that they are originated. All financial assets (including assets designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

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

Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date that they are originated. All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit and loss or other liabilities. Subsequent to initial recognition other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

	Classification
Cash	Fair value profit or loss
Restricted short-term investment	Loans and receivable
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities

3. Significant accounting policies (continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Transaction costs

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Impairment of financial assets

Financial assets, other than those classified at fair value through profit and loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

(m) Critical accounting estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimated useful lives and amortization of equipment and intangible assets

Amortization of equipment and intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Stock-based compensation

In calculating the stock-based compensation expense, key estimates such as the value of the common share, the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk free interest rate are used.

Warrants

In calculating the value of the warrants, key estimates such as the value of the common share, the volatility of the Company's stock price and the risk free interest rate are used.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

3. Significant accounting policies (continued)

(n) New and revised IFRS in issue but not yet effective

The following is a list of standards and amendments that have been issued but are not yet effective and have not yet been adopted by the Company:

IAS36 Impairment of Assets ("IAS36")

In May 2013, the IASB amended IAS 36 to clarify the requirement to disclose information about the recoverable amount of assets for which an impairment loss has been recognized or reversed. The IAS 36 Amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014.

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. The effective date of IFRS 9 is January 1, 2018.

IAS 32 Offsetting Financial Assets and Liabilities

In December 2011, IAS 32 *Financial Instruments: Presentation* was amended to clarify certain aspects because of diversity in application of the requirements on offsetting, focusing on four main areas: (a) the meaning of "currently has a legally enforceable right of set-off"; (b) the application of simultaneous realisation and settlement; (c) the offsetting of collateral amounts; and (d) the unit of account for applying the offsetting requirements. The IAS 32 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014.

IFRIC 21 *Levies*

Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies: (a) The liability is recognised progressively if the obligating event occurs over a period of time; (b) If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the Performance obligations in the contract

3. Significant accounting policies (continued)

- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. This standard is applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2017.

IAS 16 Property, Plant and Equipment and AIS 41 amends Agriculture to:

- Include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured initial recognition on a cost or revaluation basis in accordance with IAS 16
- Introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales
- Clarify that produce growing on bearer plants remains within the scope of IAS 41.

Applicable to annual periods beginning on or after 1 January 2016

The company is assessing the impact of the new or revised IFRS standards on its financial position and financial performance.

4. Reverse Acquisition

On March 26, 2014, LW Capital completed its Qualifying Transaction, which was effected pursuant to an agreement between LW Capital and Tweed. Pursuant to the agreement, LW Capital acquired all of the issued and outstanding shares of Tweed. The former shareholders of Tweed received 32,042,607 common shares of LW Capital for each of their Tweed common shares held.

The transaction is a reverse acquisition of LW Capital and has been accounted for under IFRS 2, Share-based Payments. Accordingly, the transaction has been accounted for at the fair value of the equity Instruments granted by the shareholders of Tweed to the shareholders and option holders of LW Capital. The difference between the fair value of the consideration paid of $1,302,374 (based on the fair value of Tweed shares just prior to the reverse acquisition) and the LW Capital net assets acquired of $336,071, in the amount of $966,303, has been recognized as a listing expense in the statement of comprehensive loss for the period ended March 31, 2014. Costs of the transaction of $293,489 were also expensed in the period ended March 31, 2014.

The results of operations of LW Capital are included in the consolidated financial statements of Tweed from the date of the reverse acquisition, March 26, 2014.

The following represents management's estimate of the fair value of the net assets acquired at March 26, 2014 as a result of the reverse acquisition.

(in Canadian dollars)

4. Reverse Acquisition (continued)

Fair value of share consideration paid (6,855 shares at $190)	$1,302,374	$1,302,374
Cash	$449,274	
Prepaid expenses	4,806	
Accounts payable and accrued liabilities	(118,009)	
Net assets acquired	$336,071	$336,071
Listing expense		$966,303

5. Inventory

The Company's inventory at June 30, 2014 is comprised of:

Harvest in process	$967,863
Finished harvest	97,157
Bought out inventory (seeds, vaporizers, supplies)	137,330
Total	1,202,350

6. Prepaid expenses

	June 30,2014	December 31,2013
Rent deposit	$ 508,500	$ 567,450
Miscellaneous	55,093	152,897
	$ 563,593	$ 720,347

(in Canadian dollars)

7. Property, plant and equipment

Property, Plant and Equipment

Cost	Balance at March31, 2014	Additions	Disposals/ Adjustments	Balance at June 30, 2014
Computer equipment	$51,360	$110,566	$-	$161,926
Plant, Property, Equipment	772,234	698,749		1,470,983
Office equipment	28,905	8,910		37,815
Building		110,100		110,100
Greenhouse		4,442,594		4,442,594
Total	$852,499	$5,370,918	$-	$6,223,417

Accumulated amortization	Balance at March31, 2014	Additions	Disposals/ Adjustments	Balance at June 30, 2014
Computer equipment	$3,337	$6,235	$-	$9,572
Plant, Property, Equipment	2,152	19,403		21,555
Office equipment	264	2,059		2,323
Total	$5,753	$27,697	$-	$33,450
Net book value	$846,746	$5,343,221	$-	$6,189,967

Leasehold improvements

Leasehold construction in progress includes all amounts spent on improvements to the Hershey Drive location. As at June 30, 2014 costs identified with specific completed leaseholds were transferred to leasehold improvements.

Leasehold construction in progress	4,120,940	1,189,011	5,309,951	-
Leasehold improvements	-	-	-	5,309,951

Accumulated amortization

Leasehold Improvements		15,840		15,840
Total	$-	$15,840	$-	$15,840
Net book value	$-	$5,294,111	$-	$5,294,111

(in Canadian dollars)

8. Intangible assets

		Balance at			Balance at
Domain Name		31-Mar-14	Additions	Disposal	30-Jun-14
	Cost	$49,335			$49,335
	Less Accumulated amortization	$5,756			$8222
	Carrying Value	$43,579			$41113
	* domain name was purchased on May 26, 2014				
Patents and Trademarks					
	Cost		$11,093		$11,093
	Less Accumulated amortization				
	Carrying Value	$0.00	$11,093	$0.00	$11,093

The domain name was originally purchased in fiscal 2013 for $49,335 through a financing arrangement and then purchased outright on May 26, 2014.

9 . Park Lane Liability

On June 18, 2014 the company purchased 100% of all the issued and outstanding shares of Park Lane. The purchase price was $2,000,000 for the 30,000,000 Class A outstanding shares of Prime 1 Construction Services Corp. Terms of the purchase was $500,000 cash payable $400,000 on closing and $100,000 upon the earlier of (i) the completion of the first harvest of marijuana at Park Lane or (ii) six months after closing. The balance of $1,500,000 is to be satisfied by the issuance of common shares of Tweed Marijuana at a value equal to the greater of:

(i) the weighted average price of such shares on the three (3) trading days immediately preceding the public announcement of the transaction; and

(ii) the “Discounted Market Price” (as such term is defined in the policies of the Toronto Venture Exchange) of the common shares of Tweed Marijuana as of the date of the public announcement of this transaction.

Pursuant to the terms of the share purchase agreement $1,500,000 of the purchase price will be satisfied by the issuance of 519,031 common shares of the Company at a share price of $2.89 in accordance with the conditions and milestones described below:

(i) one third of the shares shall be issued upon Park Lane receiving a license from Health Canada permitting the cultivation of marijuana (Cultivation License) in the Greenhouse provided that the license is received on or before July 31, 2014 and provided further that Angus Footman continues to be employed or engaged as a consultant by Park Lane , other than in the event of a termination of such employment or engagement by Park Lane without cause, and continues to be eligible to be a Responsible Person in Charge (“RPIC) on the date of receipt of the license.

9 . Park Lane liability (continued)

(ii) one third of the shares shall be issued upon Park Lane receiving a license from Health Canada as a Licensed Producer pursuant to the MMPR (Commercial License) permitting the production, sale, possession, transport, delivery and destruction of marijuana in the Greenhouse provided further that Angus Footman continues to be employed or engaged as a consultant by Park Lane, other than in the event of a termination of such employment or engagement by Park Lane without cause, and continues to be eligible to be an RPIC on the date of receipt of this license; and

(iii) one third of the shares shall be issued on June 18, 2015 provided that the Cultivation License and the Commercial License shall have been received by Park Lane and provided further that Angus Footman continues to be employed or engaged as a consultant by Park Lane, other than in the event of a termination of such employment or engagement by Park Lane without cause, and contuse to be eligible to be an RPIC on June 18,2015.

Immediately upon closing the Company provided Park Lane with funds to acquire certain real property, land, greenhouse and building upon which it had an option to purchase, for an aggregate amount of $3,200,000 see Note 9

Under IFRS 3:2(b) when a transaction does not meet the definition of a business combination due to the asset or group of assets not meeting the definition of a business, it is termed an “asset acquisition”

The Company has determined that this acquisition meets the criteria of an asset acquisition and as such has set up the shares being issued as a contingent liability, subject to the aforementioned terms.

The purchase price allocation relating to the acquisition is not yet finalized and the allocation of the price to the various assets acquired is subject to change.

The total purchase price was determined to be $5,200,000. The preliminary allocation of the purchase price is as follows:

Land	$722,821
Greenhouse	4,367,079
Building	110,100
Total	$5,200,000

10. Share capital

Authorized

An unlimited number of common shares

On January 30, 2014, Tweed completed a private placement for 7,297 units ("Unit") at a price of $137 per Unit for gross proceeds of $999,689. Each Unit includes a common share and a right to a common share if Tweed did not become publicly listed prior to 5 p.m. on March 31, 2014. Agent options were issued at 6% of the common shares issued, amounting to 438 options to purchase common shares of Tweed, exercisable at a price of $137 with a term of two years. Based on the black-scholes pricing model, these options have an estimated fair value of $23,126 (assumptions used were as follows: expected volatility - 70%, risk-free interest rate – 0.97%, expected dividend yield – 0%, expected life of options – 2 years). In addition, broker cash commissions of 6% amounting to $59,981, and other expenses amounting to $10,500, were paid as part of the transaction.

On February 5, 2014, Tweed completed the closing of a non-brokered private placement of 10,526 Units at a price of $137 per Unit for gross cash proceeds of $1,442,062. There were no commissions related to this private placement.

On March 7, 2014, Tweed completed the closing of a brokered private placement of 34,211 Units at a price of $190 per Unit for gross cash proceeds of $6,500,090. Agent options were issued at 6% of the common shares issued, amounting to 2,053 options to purchase common shares of Tweed, exercisable at a price of $190 with a term of two years. Based on the black-scholes pricing model, these options have an estimated fair value of $150,331 (assumptions used were as follows: expected volatility - 70%, risk-free interest rate – 0.97%, expected dividend yield – 0%, expected life of options – 2 years). In addition, broker cash commissions of 6%, amounting to $390,005, were paid as part of the transaction. Other professional fees and costs associated with the private placement amounted to $122,823.

On March 26, 2014, the Company completed its Qualifying Transaction with Tweed (see Notes 1 and 4).

On March 31, 2014, pursuant to the terms of rights ("Tweed Rights") issued as part of the Tweed private placements from December 2013 to March 2014, and pursuant to the terms of the amalgamation agreement entered into by the Company in connection with the Qualifying Transaction, the Company issued an additional 1,575,501 shares to former shareholders of Tweed. The Tweed Rights issued by the Company provided that if certain liquidity events did not occur prior to 5:00 p.m. on March 31, 2014, the rights entitled the holder to receive, for no additional consideration, additional shares equal to 10% of the total number of Tweed shares subscribed for in the private placements by such holder. These shares were recorded on a fair value basis at a price of $0.89 per share. This resulting amount of $1,402,196 was recorded to share capital and share issuance costs.

On May 14, 2014 Tweed completed a financing of 4,687,500 common shares for aggregate gross proceeds of $15,000,000. A syndicate of underwriters led by GMP Securities LP, and including Jacob Securities Inc completed the offering at a price of $3.20 per common share. The over – allotment option of 703,125 common shares at the offering price was not exercised.

On June 19, 2014 Tweed announced the acquisition of Prime 1 Construction Services Corp for 2,000,000 of which 500,000 is in cash and 1,500,000 in shares priced at $2.89. The share component is predicted on the achievement of certain milestones. See note 9. The acquisition adds over 350,000 square feet of greenhouse facility located in Niagara-on-the-Lake, complementing Tweed's current 168,000 square foot indoor facility. See note 9

During April 2014 186,383 options were exercised for gross proceeds of $104,081.

(in Canadian dollars)

10. Share capital (continued)

Warrants continuity schedule

As of June 30, 2014, the Company has the following warrants outstanding, which were issued by the Company on March 26, 2014 to replace warrants issued by Tweed prior to the reverse acquisition. The number of warrants originally issued by Tweed was 2,000, which were then exchanged into 426,209 warrants of the Company at the exchange ratio used for the reverse acquisition. The warrants vested on the date of issuance and carry a three-year term from the original date of issuance by Tweed.

	Number of whole warrants	Average exercised price $	Expiry Date
Balance at December 31, 2012	0	0	
Issued pursuant to December 2013 private placement	426,209	$0.59	13-Sep-16
Balance at December 31, 2013 and March 31, 2014	426,209	$0.59	

Option Plan

The Company has a stock option plan ("ESOP") that is administered by the Board of Directors of the Company who establish exercise prices, at not less than market price at the date of grant, and expiry dates, which have been set at five years from issuance. Options under the Plan remain exercisable in increments with 1/3rd being exercisable on each of the first, second and third anniversaries from the date of grant. The maximum number of common shares reserved for issuance for options that may be granted under the Plan is 10% of the common shares outstanding, which was 3,994,399 at June 30, 2014.

	issued under the stock option plan	Average exercise price
Balance at December 31, 2013	1,576,364	$0.64
ESOP options granted at RTO	144,600	$0.50
ESOP options granted in six months ended June 30, 2014	1,342,177	$2.96
ESOP options exercised in six months ended June 30, 2014	(186,383)	$0.56
Balance outstanding at June 30, 2014	2,876,778	$1.79

As of March 31, 2014, the Company has Agent Options outstanding, which were issued on March 26, 2014 in replacement of agent options issued by Tweed prior to the reverse acquisition. These options are outside of the ESOP. The number originally issued by Tweed was 3,805, which were then exchanged into 810,863 Agent Options of the Company based on the exchange ratio used for the reverse acquisition. These Agent Options vested on the date of issuance and carry a two year term from their original date of issuance by Tweed.

(in Canadian dollars)

10. Share capital (continued)

	Non-ESOP Options	Average exercise price	Expiry Date
Balance outstanding at December 31, 2012	-	-	
Agent Options issued pursuant to December 2013 private placement	280,019	$0.64	December 27, 2015
Non-ESOP consultant options issued in October 2013	1,212,991	$0.62	March 26, 2014
Balance outstanding at December 31, 2013	1,493,010	$0.62	
Agent Options issued pursuant to January 2014 private placement	93,340	$0.64	January 30, 2016
Agent Options issued pursuant to March 2014 private placement	437,504	$0.89	March 7, 2016
Exercise of consultant options prior to reverse acquisition	(1,212,991)	$0.62	
Balance outstanding at June 30, 2014	810,863	$0.77	

Stock-based compensation

During the three months and six months ended June 30, 2014, the Company recorded $147,797 (2013 - $NIL) and $306,223 (2013-NIL) in stock-based compensation expense related to employee options which are measured at fair value at the date of grant and are expensed over the option's vesting period. The weighted average grant date fair value of options granted during the period is $0.64. In determining the amount of stock-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted during the current period by applying the following assumptions:

	Six and Three months ended March 31	
	2014	**2013**
Risk-free interest rate	1.60% - 1.64%	n/a
Expected life of options (years)	5	n/a
Expected annualized violability	90%	n/a
Expected dividend yield	nil	n/a
Weighted Average Black-Scholes value of each option	$0.29 - $0.36	n/a

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

(in Canadian dollars)

11. Earnings per share

Net income (loss) per common share represents net income (loss) attributable to common shareholders divided by the weighted average number of common shares outstanding during the period.

Diluted income (loss) per common share is calculated by dividing the applicable net income (loss) by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the period.

For all the periods presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of options and warrants. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future but that were not included in the computation of diluted net loss per share because to do so would have reduced the loss per share (anti-dilutive) for the periods presented are as follows:

	Six months ended June 30	
	2014	**2013**
Stock options	2,876,778	0
Warrants	426,209	0
Total	3,302,987	0

12. Related parties

The Company leases office premises from a company controlled by Tweed Hershey Drive Inc. ("Tweed Hershey"), which is related through common ownership. The lease expires on December 31, 2018. For the three month period ended June 30, 2014, the expense incurred under this lease was $135,000 (2013 - $NIL). The Company had $NIL (2013 - $NIL) owing related to rent associated with these leased premises at June 30, 2014 and has $508,500 (2013 - $567,450), which is included in prepaid expenses.

A director has been engaged to provide consulting services to the Company at $16,667 per month from July 1, 2013 to July 1, 2015.

These transactions are measured at the exchange amounts being the amounts agreed to by the parties.

Certain directors and management of the Company participated in the private placements completed during the periods presented. Proceeds received from the directors and management relating to the private placements totalled $70,007 for the six months ended June 30, 2014 (2013 - $NIL).

13. Commitments and Contingencies

The Company leases production space under an operating lease which will expire in December 2018. Future minimum payments due in each of the next five years under the operating lease are as follows:

2014	$405,000
2015	540,000
2016	720,000
2017	720,000
2018	450,000

The lease agreement contains a contingent condition for the lessee to remove fixtures at lessor's discretion.

In December 2013, a lien was registered against the property that Tweed was renting due to a dispute over payment of work related to fitting up the facility by a subcontractor. The lien was vacated in December 2013 as a result of a bond put in place by Tweed Hershey, An indemnification agreement was entered into such that Tweed Hershey (a related party) has agreed to indemnify Tweed against any amounts in excess of what had already been paid for the work plus an additional $100,000. On January 29, 2014 Tweed was served a statement of claim seeking damages in the amount of $241,576. On February 20, 2014 Tweed served the subcontract with a Statement of Defence and Counterclaim. The litigation process will continue into the foreseeable future unless settled, with likely next steps being mediation between the Parties. The Company has recorded a provision in the amount $100,000 as at March 31, 2014 representing it's maximum exposure to the subcontractor claim (see Subsequent Events). On May 20, 2014, Tweed settled the lawsuit for $141,000 inclusive of interest and cost.

14. Financial instruments

Currency risk

The Company had a foreign exchange loss of $295 (2013 - $NIL) for the six months ended June 30, 2014. The Company does not actively manage its foreign currency risk.

The financial assets and liabilities for which cash flows are denominated in U.S. dollars consist of the long-term debt totalling US$37,000. On May 26, 2014 this debt was repaid. See note 8

Interest risk

The Company's exposure to interest rate risk only relates to any investments of surplus cash. The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. Currently the Company's restricted investments consist of a $10,000 guaranteed investment certificate, which has a fixed rate of interest.

Interest rate risk on the long-term debt its limited due to the fact it is non-interest bearing.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Company's cash. As at June, 2014, Tweed is not exposed to any significant credit risk related to counterparty performance as it's cash is deposited with a Canadian schedule A bank, as per company policy.

14. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. During the three months ended June 30, 2014, the Company completed private placements for gross cash proceeds of $15,000,000 and options were exercised for cash proceeds of $104,081.

Fair value hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Cash and the restricted short-term investments are classified as Level 1 financial instruments. During the year, there were no transfers of amounts between Level 1 and Level 2. The warrants were valued using a black-scholes option pricing model and are a Level 2 financial instrument.

15. Segmented Information

The Company operates in one segment, the production and sale of medical marijuana.

All equipment, leasehold improvements, leasehold construction in progress and intangible assets are located in Canada.

16. Subsequent events

On August 15, 2014 Park lane farms received a Health Canada License to produce medical marijuana.

On August 28, 2014 three new grow rooms totaling approximately 5400 square feet were turned over to the production staff in Smiths Falls to begin plant growing.