PUF VENTURES INC.

(formerly Chlormet Technologies, Inc.)

Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

PUF VENTURES INC.
(formerly Chlormet Technologies, Inc.)

Condensed Interim Consolidated Financial Statements

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Notice to Readers

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

The accompanying unaudited condensed interim consolidated financial statements of PUF Ventures Inc. (formerly Chlormet Technologies, Inc.) for the nine months ended September 30, 2015 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim consolidated financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

PUF VENTURES INC.
(formerly Chlormet Technologies, Inc.)

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

As at	September 30 2015	December 31 2014
Assets		
Current		
Cash	$ 76,329	$ 89,647
Amounts receivable	11,893	4,299
Inventory	22,927	-
Investment held for sale (note 4)	4,000	-
Advances to related parties (note 13)	24,323	10,320
Loan receivable (note 5)	22,770	19,722
Prepaid expenses and deposits	40,714	38,559
	202,956	162,547
Non-current		
Deposit	-	29,003
Loan receivable (note 5)	272,710	160,000
Exploration and evaluation assets (note 6)	210,454	240,454
Investment (note 7)	446,250	120,000
Property (note 8)	1,542,580	-
Intellectual property (note 9)	51,858	-
Goodwill (note 10)	305,695	-
	2,829,547	549,457
	$ 3,032,503	$ 712,004
Liabilities		
Current		
Accounts payable and accrued liabilities (note 13)	$ 58,627	$ 118,708
Advances from related parties (note 13)	2,836	82,680
	61,463	201,388
Non-current		
Mortgage payable (note 11)	1,446,552	-
	1,508,015	201,388
Shareholders' Equity		
Share capital (note 12)	13,438,646	11,972,428
Reserves	1,489,238	1,202,097
Accumulated deficit	(13,403,396)	(12,663,909)
	1,524,488	510,616
	$ 3,032,503	$ 712,004

Nature and continuance of operations (note 1), **Commitments** (notes 6, 7, and 13),
Contingent liability (note 14), **Subsequent events** (note 18)

These financial statements were authorized for issue by the Board of Directors on November 30, 2015. They are signed on the Company's behalf by:

"Yari Nieken" _________________ Director

"Ian Foreman" _________________ Director

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

PUF VENTURES INC.
(formerly Chlormet Technologies, Inc.)

Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended		For the nine months ended	
	September 30 2015	September 30 2014	**September 30 2015**	September 30 2014
Sales	**$ -**	$ -	**$ 8,521**	$ -
Cost of goods sold	**178**	-	**5,995**	-
	(178)	**-**	**2,526**	**-**
Rental income	**59**	-	**3,085**	-
	(119)	**-**	**5,611**	**-**
Administrative expenses				
Accounting and auditing (note 13)	**6,764**	3,040	**24,122**	17,300
Administration fees (note 13)	**74**	16	**213**	261
Consulting and management (note 13)	**72,358**	175,541	**341,541**	330,303
Depreciation and amortization	**5,392**	-	**15,797**	-
Insurance	**2,125**	1,063	**8,500**	1,063
Investor communications	**1,962**	11,258	**5,763**	13,165
Legal	**6,163**	43,313	**37,056**	102,863
Office and sundry (note 13)	**33,257**	6,531	**54,020**	17,805
Regulatory and transfer agent fees	**5,017**	4,430	**16,971**	31,395
Share-based compensation (note 13)	**15,228**	67,267	**260,737**	485,853
Travel and business development	**11,391**	14,972	**25,744**	22,568
Loss before other items	**159,731**	327,431	**790,464**	1,022,576
Other (income) expenses				
Foreign exchange loss	**92,159**	-	**89,986**	-
Forgiveness of debt	**(15,689)**	-	**(15,689)**	-
Other revenue	**-**	(33)	**-**	(310)
Unrealized loss on investment held for sale (note 4)	**-**	-	**8,000**	-
	76,470	(33)	**82,297**	(310)
Net and comprehensive loss for the period	**$ (236,320)**	$ (327,398)	**$ (867,150)**	$ (1,022,266)
Basic and diluted loss per share	**$ (0.00)**	$ (0.01)	**$ (0.02)**	$ (0.05)
Weighted average number of shares outstanding	**62,969,574**	25,551,998	**49,604,973**	19,089,823

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

PUF VENTURES INC.
(formerly Chlormet Technologies, Inc.)

Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

			Reserves				
	Number of Shares	Share Capital	Share-Based Payment Reserve	Warrant Reserve	Total	Deficit	Total Equity
Balance at December 31, 2014	31,153,574	$ 11,972,428	$ 581,853	$ 620,244	$ 1,202,097	$ (12,663,909)	$ 510,616
Shares issued for investment	4,350,000	326,250	-	-	-	-	326,250
Shares issued for acquisition of subsidiaries	7,000,000	350,000	-	-	-	-	350,000
Share issuance costs - units	700,000	-	-	-	-	-	-
Private placement	19,366,000	968,300	-	-	-	-	968,300
Share issuance costs - cash	-	(54,265)	-	-	-	-	(54,265)
Share issuance costs - agent warrants	-	(154,067)	-	154,067	154,067	-	-
Warrants exercised	400,000	30,000	-	-	-	-	30,000
Fair value of stock options cancelled/expired	-	-	(127,663)	-	(127,663)	127,663	-
Share-based compensation	-	-	260,737	-	260,737	-	260,737
Loss for the period	-	-	-	-	-	(867,150)	(867,150)
Balance at September 30, 2015	**62,969,574**	**$ 13,438,646**	**$ 714,927**	**$ 774,311**	**$ 1,489,238**	**$ (13,403,396)**	**$ 1,524,488**
Balance at December 31, 2013	7,602,574	$ 11,173,347	$ 103,625	$ -	$ 103,625	$ (11,525,061)	$ (248,089)
Private placement	13,256,000	662,800	-	-	-	-	662,800
Share issuance costs - cash	-	(15,600)	-	-	-	-	(15,600)
Share issuance costs - agent warrants	-	(57,782)	-	57,782	57,782	-	-
Share issuance costs - incentive warrants	-	(578,204)	-	578,204	578,204	-	-
Agent warrants exercised	85,000	6,375	-	-	-	-	6,375
Fair value of agent warrants exercised	-	15,742	-	(15,742)	(15,742)	-	-
Warrants exercised	10,210,000	765,750	-	-	-	-	765,750
Fair value of stock options cancelled/expired	-	-	(7,625)	-	(7,625)	7,625	-
Share-based compensation	-	-	485,853	-	485,853	-	485,853
Loss for the period	-	-	-	-	-	(1,022,266)	(1,022,266)
Balance at September 30, 2014	31,153,574	$ 11,972,428	$ 581,853	$ 620,244	$ 1,202,097	$ (12,539,702)	$ 634,823

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

PUF VENTURES INC.
(formerly Chlormet Technologies, Inc.)

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	For the three months ended		For the nine months ended	
	September 30 2015	September 30 2014	**September 30 2015**	September 30 2014
Cash provided by (used for)				
Operating activities				
Net loss for the period	**$ (236,320)**	$ (327,398)	**$ (867,150)**	$ (1,022,266)
Add items not affecting cash				
Depreciation and amortization	**15,797**	-	**15,797**	-
Foreign exchange (gain) loss	**92,159**	(34)	**89,986**	(34)
Forgiveness of debt	**(15,689)**	-	**(15,689)**	-
Share-based compensation	**15,228**	67,267	**260,737**	485,853
Unrealized loss on investment held for sale	**-**	-	**8,000**	-
	(128,825)	(260,165)	**(508,319)**	(536,447)
Net change in non-cash working capital	**(148,735)**	(71,163)	**(73,653)**	(68,216)
	(277,560)	(331,328)	**(581,972)**	(604,663)
Financing activities				
Advances from related parties	**(2,836)**	(58,080)	**(79,844)**	(260,594)
Issuance of common shares, net of share issuance costs	**-**	772,125	**944,035**	1,419,325
Loan payable	**-**	-	**-**	(41,462)
Subscription receivable	**10,000**	-	**-**	-
	7,164	714,045	**864,191**	1,117,269
Investing activities				
Acquisition of property	**(2,249)**	-	**(58,241)**	-
Advances to related parties	**(3,929)**	-	**(14,003)**	-
Expenditures on exploration and evaluation assets	**-**	-	**18,000**	(2,606)
Investment in AAA Heidelberg	**-**	-	**-**	(120,000)
Loans receivable	**(112,710)**	-	**(112,710)**	-
	(118,888)	-	**(166,954)**	(122,606)
Effect of foreign exchange translation on cash	**12,671**	34	**(128,583)**	34
Net increase (decrease) in cash	**(376,613)**	382,751	**(13,318)**	390,034
Cash, beginning of period	**452,942**	12,655	**89,647**	5,372
Cash, end of period	**$ 76,329**	$ 395,406	**$ 76,329**	$ 395,406

Supplemental cash flow disclosure (note 15)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

PUF Ventures Inc. (formerly Chlormet Technologies, Inc.) ("PUF" or the "Company") was incorporated on June 24, 2004 pursuant to the Business Corporations Act (British Columbia). On February 9, 2011, the name of the Company was changed from New High Ridge Resources Inc. to Newton Gold Corp., on November 7, 2013 to Chlormet Technologies, Inc., and on November 13, 2015 to PUF Ventures Inc. Until June 18, 2014, the Company was listed on the TSX Venture Exchange under the symbol "CMT". Effective June 19, 2014 the Company is listed on the Canadian Securities Exchange ("CSE" or the "Exchange") under the symbol "PUF".

Effective November 7, 2013, when the Company's name was changed from Newton Gold Corp. to Chlormet Technologies, Inc., the Company's issued and outstanding shares were consolidated on a five (5) old for one (1) new basis. All share capital figures reflect the share consolidation.

The Company is an exploration stage company with respect to its exploration and evaluation assets. Based on the information available to date, the Company has not yet determined whether its exploration and evaluation assets contain economically recoverable reserves. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the confirmation of economically recoverable reserves, the ability of the Company and their joint venture partners to obtain the necessary financing to successfully complete their development, and upon future profitable production or disposition thereof. Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

On March 26, 2014, the Company acquired a 16.5% interest in AAA Heidelberg Inc., a private company located in Ontario, for cash of $120,000. The Company signed a Letter of Intent ("LOI") with the principals of AAA Heidelberg Inc. whereby the Company was granted the exclusive option to acquire the balance of the 83.5% interest subject to certain conditions including the grant of a Marihuana for Medical Purposes Regulations ("MMPR") license and by issuing up to 18,350,000 common shares of the Company subject to Canadian Securities Exchange escrow policies. The Share Exchange Agreement was finalized effective January 26, 2015. On February 24, 2015, the first tranche of 4,350,000 common shares representing an additional 19.79% interest was completed. On October 30, 2015, the second tranche of 2,000,000 common shares representing an additional 9.1% interest was completed. The Company now has a 45.39% ownership interest in AAA Heidelberg Inc.

On November 26, 2014, the Company formed a subsidiary in Washington State in order to acquire property and on June 1, 2015, completed the transaction on its target property and associated buildings.

On May 12, 2015, the Company closed the acquisition of 100% of VapeTronix Inc. VapeTronix, Inc. is a Canadian vaporizer and electronic cigarette company registered in the Province of Ontario. VapeTronix, Inc. owns the exclusive rights to the "1313" electronic cigarette brand, a medicinal marijuana mobile application technology, and several research and development projects. The purchase price for the VapeTronix shares was an aggregate of 7,000,000 common shares of the Company of which 1,500,000 common shares will be released subject to certain performance milestones being met. Finders' fees of 700,000 common shares with warrants were issued on closing.

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Further discussion of liquidity risk has been disclosed in note 17.

At September 30, 2015, the Company has working capital of $141,493 (December 31, 2014 – $(38,841)), an accumulated deficit of $13,403,396 (December 31, 2014 - $12,663,909), and incurred a net loss of $867,150 (September 30, 2014 - $1,022,266) during the nine months ended September 30, 2015.

The Company does not generate cash flow from operations and has therefore relies upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. These condensed interim consolidated financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

The Company's corporate office is located at Suite 459, 409 Granville Street, Vancouver, British Columbia V6C 1T2.

2. BASIS OF PREPARATION

a) Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS34") using accounting policies consistent with International Financial Reporting Standards ("IFRS").

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

b) Basis of consolidation

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These condensed interim consolidated financial statements include the accounts of the Company and its Canadian and US subsidiaries:

2. BASIS OF PREPARATION (continued)

b) Basis of consolidation (continued)

	Ownership Interest	Jurisdiction	Nature of Operations
1313 Wear Ltd.	100%	Canada	Holds 1313 trademark
PacCan Real Estate Holdings Corporation	100%	Washington, USA	Rental property
VapeTronix, Inc.	100%	Canada	E-Cigarette sales

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed interim consolidated financial statements.

c) Presentation and functional currency

The functional currency of PUF Ventures Inc., the parent entity, is the Canadian dollar, which is also the presentation currency of the condensed interim consolidated financial statements. The functional currency of the Company's Canadian and US subsidiaries is also the Canadian dollar.

The functional currency for the Company's US subsidiary is the currency in which funds from financing activities are generated. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the period end date exchange rates.

In individual companies, transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the closing rate (the exchange rate at the reporting date).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the profit or loss.

d) Significant accounting judgments and estimates

The preparation of these condensed interim consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of these financial statements also requires management to exercise judgment in the process of applying the accounting policies.

2. BASIS OF PREPARATION (continued)

d) Significant accounting judgments and estimates (continued)

i) Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

(a) Impairment of non-financial assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the asset and a suitable discount rate in order to calculate present value. No impairment of exploration and evaluation assets, intangible assets, and goodwill have been recorded for the nine months ended September 30, 2015 (September 30, 2014 - $Nil).

(b) Share-based compensation

Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's statement of comprehensive loss. For the nine months ended September 30, 2015, the Company recognized $260,737 (September 30, 2014 - $485,853) as share-based compensation expense.

ii) Critical judgments used in applying accounting policies

In the preparation of these financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the financial statements.

(a) Exploration and evaluation assets

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its exploration and evaluation assets. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets and subject to different accounting treatment. As at September 30, 2015 and December 31, 2014, management had determined that no reclassification of exploration and evaluation assets was required.

(b) Investment in AAA Heidelberg Inc.

At September 30, 2015, the Company has a 36.29% interest in AAA Heidelberg Inc., a private company. Management has determined that the Company does not have significant influence over AAA Heidelberg Inc.; therefore, it is accounting for this investment at cost.

2. BASIS OF PREPARATION (continued)

d) Significant accounting judgments and estimates (continued)

ii) Critical judgments used in applying accounting policies (continued)

(c) Purchase price allocation

The allocation of the purchase price and subsequent costs between land and building required judgment. The allocation was determined using the latest property tax assessment.

(d) Income taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

i) Financial assets

The Company classifies its financial assets into categories at initial recognition, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

(a) Fair value through profit or loss

This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value, with changes in fair value recognized in profit or loss. Investments in marketable securities are classified as fair value through profit or loss.

(b) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company has classified cash, amounts receivable, advances to related parties, deposits, and loans receivable as loans and receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

i) Financial assets (continued)

(c) Held-to-maturity investments

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. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss. The Company has not classified any financial assets as held-to-maturity investments.

(d) Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income or loss ("OCI"). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in profit or loss. The Company has classified the investment in AAA Heidelberg Inc. as available-for-sale as the fair value of this private entity cannot be reliably measured.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

ii) Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

(a) Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing 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. The Company has not classified any financial liabilities as fair value through profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

ii) Financial liabilities (continued)

(b) Other financial liabilities

This category includes all other financial liabilities which are recognized at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial instrument, or, where appropriate, a shorter period. The Company has classified accounts payable and accrued liabilities, advances from related parties, and mortgage payable as other financial liabilities.

b) Cash

Cash in the statement of financial position are comprised of cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

c) Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties; accordingly, it follows the practice of capitalizing all costs, once it has the legal right to explore, relating to the acquisition of, exploration for, and development of mineral properties, and crediting all proceeds received against the cost of the related properties. Such costs include, but are not limited to geological, geophysical studies, exploratory drilling, and sampling.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

The aggregate costs related to abandoned mineral properties are charged to net income (loss) at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to an exploration and evaluation asset is subsequently reversed if new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes a gain on sale of exploration and evaluation assets when the proceeds received or receivable are in excess of the carrying amount. This gain is recognized in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property and equipment

Property and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive loss.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Equipment is depreciated annually at the following rates using the declining-balance method when the asset becomes available for use, and in the year of acquisition, only one-half of normal rates are used:

Buildings	4%

e) Intangible assets

Goodwill arises on the acquisition of subsidiaries. It is measured at cost less accumulated impairment losses.

Intellectual property is measured at cost less accumulated amortization and accumulated impairment losses. The cost of intellectual property consists of the purchase price, and any costs directly attributable to bringing the asset into use. Subsequent expenditures on intellectual property are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit and loss as incurred.

Intangible assets, except for goodwill, are amortized annually at the following rates on a straight-line basis when the asset becomes available for use:

Trademark	25 years
Source code	25 years

f) Impairment

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment (continued)

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss for the period.

g) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the closing rate (the exchange rate at the reporting date).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the profit or loss.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency gains and losses are reported on a net basis and included in profit or loss.

h) Joint venture accounting

Certain of the Company's exploration and evaluation asset activities are conducted with others and the accounts reflect only the Company's proportionate interest in such activities.

i) Share capital

i) Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Share capital (continued)

ii) Equity units

Proceeds received on the issuance of units, comprised of common shares and warrants, are allocated using the residual value method; proceeds are allocated to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the balance, if any, to the reserve for warrants.

iii) Flow-through shares

The Company will from time to time issue flow-through common shares to finance its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax benefit of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) share capital, equal to the market value of the shares; ii) a flow-through share premium liability, equal to the estimated premium, if any, investors pay for the flow-through feature; and iii) reserve for warrants, equal to the remaining proceeds received.

When qualifying expenses are incurred, the Company recognizes a deferred tax liability and deferred tax expense for the value of the tax benefit renounced to the shareholders. The Company derecognizes the liability on the flow-through share premium, as other income.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian exploration expenses (as defined in the Income Tax Act). The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as unspent commitment/other liability (liability on flow-through share premium).

iv) Non-monetary consideration

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares as determined by the board of directors.

j) Sales revenue

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Sales revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involved with the goods, and the amount of revenue can be measured reliably. The transfer of risks and rewards occurs when the product is received by the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Rental income

Rental income from property is recognized as revenue on a straight-line basis over the term of the lease.

l) Share-based payment transactions

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

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method 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 share options are granted to non-employees, fair value is measured at grant date at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

All share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

m) Equity reserves

Where share options or warrants expire or are cancelled, the fair value previously recognized is transferred from equity reserve to accumulated deficit.

n) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Income taxes (continued)

Deferred tax is provided using the liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

o) Rehabilitation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises and the amount can be reliably estimated. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

p) Loss per share

The Company presents basic and diluted loss per share 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 loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Segment reporting

The Company operates in four reportable segments: (i) the acquisition, exploration, and development of exploration and evaluation assets; (ii) the medical marijuana industry through the purchase of an interest in a private Ontario company that is in the process of applying for a MMPR license; (iii) the sale of e-cigarettes; and (iv) ownership of rental property in the State of Washington.

r) New accounting standards and interpretations not yet adopted

The following accounting pronouncement has been released but has not yet been adopted by the Company:

i) IFRS 9 Financial Instruments

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 *Financial Instruments* (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is tentatively effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities.

Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's financial statements.

ii) IFRS 15 *Revenue Recognition*

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. Management has not yet determined the potential impact the adoption of IFRS 15 will have on the Company's financial statements.

4. INVESTMENT HELD FOR SALE

Number of Shares		September 30, 2015 Cost	FMV	December 31, 2014 Cost	FMV
200,000	Kiska Metals Corporation	**$ 12,000**	**$ 4,000**	$ -	$ -

4. INVESTMENT HELD FOR SALE (continued)

On January 15, 2015, the Company finalized the Definitive Agreement with Kiska Metals Corporation for the option on the Company's Chuchi property. The Company also received 200,000 common shares of Kiska Metals Corporation pursuant to the agreement (see note 6(a)).

5. LOANS RECEIVABLE

On November 3, 2014, the Company provided a loan in the amount of US$17,000 (CDN$22,770) to the manager of the Company's US subsidiary. The loan stated that it would be repaid in full within 30 days of written request. On April 9, 2015, a written demand for the loan receivable was made to the borrower with repayment to occur within 30 days from the date of demand. The amount remains unpaid.

On November 3, 2014, the Company provided AAA Heidelberg Inc. $160,000. On February 20, 2015, the Company guaranteed a first mortgage to a third party in the amount of $400,000 on behalf of AAA Heidelberg Ltd. that was due on July 7, 2015. On August 6, 2015, the Company agreed to pay the third party $4,000 in interest plus a bonus of $1,600 for a two month extension of the mortgage on behalf of AAA Heidelberg Ltd. The third party had the option to extend the mortgage for another year. Upon doing so, the Company paid the third party $100,000 to reduce the principal balance of the mortgage by $64,000 and pre-pay the interest on the mortgage for the one year period along with a bonus of $60,000 (paid October 30, 2015). This loan is secured by all the assets of AAA Heidelberg Inc. and subordinate only to a first mortgage to the third party in the amount of $400,000. At September 30, 2015, the total amount of the loan is $272,710. The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement dated January 26, 2015 (see note 7) by a cancellation of shares of the Company otherwise issuable with a fair value of $272,710.

6. EXPLORATION AND EVALUATION ASSETS

The Company had accumulated the following acquisition and exploration expenditures:

Acquistion Costs		Chuchi		Newton Hill		Total
Balance at December 31, 2013 and 2014, and September 30, 2015	**$**	**61,261**	**$**	**5,000**	**$**	**66,261**
Exploration Costs						
Balance at December 31, 2013	$	186,587	$	-	$	186,587
Return of security deposit		(15,000)		-		(15,000)
Consulting		2,606		-		2,606
Balance at December 31, 2014		174,193		-		174,193
Proceeds on signing option agreement		(12,000)		-		(12,000)
Return of deposit for reclamation bond		(18,000)		-		(18,000)
Balance at September 30, 2015	**$**	**144,193**	**$**	**-**	**$**	**144,193**
At December 31, 2014	$	235,454	$	5,000	$	240,454
At September 30, 2015	**$**	**205,454**	**$**	**5,000**	**$**	**210,454**

a) Chuchi Property, British Columbia

The Company owns a 100% interest in certain mineral claims located in the Omineca Mining Division of British Columbia, referred to as the Chuchi Property.

In December 2008 the Company wrote down the recorded cost of the property to $Nil. As at September 30, 2015, mineral property interests represent accumulated costs incurred on the property since January 1, 2009.

On March 17, 2014, the Company announced that it received the decision in the arbitration hearings between the Company and the vendors of the Chuchi property, located in northern British Columbia. The arbitration stemmed from the Company's allowing a number of claims to lapse in 2007 and subsequently acquiring certain claims covering a portion of the area of the lapsed claims at a later date from a third party. The arbitrator in the case has ruled in favour of the Company's claim that the 3% net smelter royalty that was attached to the original claims (that were dropped) does not apply to the disputed ground. As such, the vendors of the property own a 3% NSR on only the five core claims to the property, which cover only 1,695.94 hectares of the total 5,365.24 hectares that constitute the Chuchi property. In addition, the vendors' claim for damages for breach of contract by reason of the forfeiture of mineral claims acquired under the agreement was dismissed, and the vendors must immediately remove the notice to third party that they had

6. EXPLORATION AND EVALUATION ASSETS (continued)

a) Chuchi Property, British Columbia (continued)

previously filed with the Mining Recorder's Office on the records of the mineral claims. The Company must pay the vendors a total of $40,351 (representing the 2012 and 2013 advance royalty payments plus prejudgment interest) which was paid on June 27, 2014, and the Company is also required to continue to pay to the vendors an advance royalty payment in the amount of $20,000 per year on or before October 25 in each subsequent year that the Company holds any interest in the five core mineral claims.

On November 19, 2014, the Company announced that it received confirmation from Kiska Metals Corporation ("Kiska"), a public company listed on the TSX Venture Exchange, of their intent to enter into a Definitive Agreement for an option of the Company's Chuchi property. The Definitive Agreement was finalized on January 15, 2015. To earn a 100% interest in the Chuchi property, Kiska will be required to deliver to the Company 1,000,000 common shares (or the equivalent cash value at Kiska's election) as follows:

- 200,000 common shares on signing the Option Agreement (see note 4);
- 200,000 common shares on the first anniversary of the Option Agreement;
- 250,000 common shares on the fourth anniversary of the Option Agreement; and
- 350,000 common shares on the seventh anniversary of the Option Agreement.

Until such time as the earn-in is completed, the Company will remain as the underlying owner of the property; however, Kiska will incur all ongoing costs of the exploration and annual maintenance of the property, including payment of the advance royalty payment of $20,000 per year paid on or before October 25 of each year. Kiska paid the advance royalty payment due October 25, 2014.

The Option Agreement will provide that the Company is to receive a percentage of any payments received by Kiska pursuant to any option or earn-in agreements entered into by Kiska in respect of the property (but not including any Kiska operator fees) during the time the option is exercised and on or before the third anniversary date of the exercise of the option as follows:

- 30% of the payments received by Kiska in year 1 of any future agreement;
- 20% of the payments received by Kiska in year 2 of any future agreement; and
- 10% of the payments received by Kiska in year 3 of any future agreement.

b) Newton Property, British Columbia

On August 12, 2009, the Company entered into an agreement with Amarc Resources Ltd. ("Amarc") by which Amarc was granted an option to acquire an 80% interest in the Newton property. Under the terms of the agreement, Amarc paid $60,000 to the underlying Newton property owners and agreed to expend a total of $4,940,000 on the property in exploration expenditures over seven years.

Amarc earned an 80% interest in the Newton property and outlying area of interest under the option agreement by funding $5,000,000 in exploration activities. On May 16, 2011 the Company and Amarc entered into a Joint Venture Agreement to further explore the Newton property.

The Company held a 20% participating interest in certain mineral claims located in the Clinton Mining Division of British Columbia, referred to as the Newton Property.

6. EXPLORATION AND EVALUATION ASSETS (continued)

b) Newton Property, British Columbia (continued)

Effective May 22, 2012, the Company exercised its right to convert its 20% participating interest to a 5% net profit interest in the Newton Joint Venture. The Company has no ongoing financial obligations regarding this property.

At September 30, 2015, the Company had advanced $1,585,486 (December 31, 2014 – $1,585,486) to Amarc Resources Ltd., of which $1,580,486was utilized for exploration expenditures and was written down during the year ended December 31, 2013.

At September 30, 2015, acquisition costs of $5,000 (December 31, 2014 - $5,000) remain capitalized as exploration and evaluation assets.

7. INVESTMENT

On March 26, 2014, the Company acquired a 16.5% interest in AAA Heidelberg Inc., a private company located in Ontario, for $120,000. The Company has now executed a Share Exchange Agreement effective January 26, 2015 with the principals of AAA Heidelberg Inc. whereby the Company can acquire the remaining 83.5% interest subject to certain conditions including the grant of a Marihuana for Medical Purposes Regulations (“MMPR”) license by issuing up to 18,350,000 common shares of the Company subject to Canadian Securities Exchange escrow policies. The common shares will be issued in stages. On February 24, 2015, the first tranche of 4,350,000 common shares representing an additional 19.79% interest was completed. On October 30, 2015, the second tranche of 2,000,000 common shares representing an additional 9.1% interest was completed. The Company now has a 45.39% ownership interest in AAA Heidelberg Inc.

On February 20, 2015, the Company guaranteed a first mortgage to a third party in the amount of $400,000 on behalf of AAA Heidelberg Ltd.

8. PROPERTY

	Land	Buildings	Total
Cost			
Balance at December 31, 2013	$ -	$ -	$ -
Additions	-	-	-
Balance at December 31, 2014	-	-	-
Additions	483,553	1,074,440	1,557,993
Balance at September 30, 2015	**$ 483,553**	**$ 1,074,440**	**$ 1,557,993**
Accumulated Depreciation			
Balance at December 31, 2013	$ -	$ -	$ -
Additions	-	-	-
Balance at December 31, 2014	-	-	-
Additions	-	15,413	15,413
Balance at September 30, 2015	**$ -**	**$ 15,413**	**$ 15,413**
Carrying Amounts			
At December 31, 2014	$ -	$ -	$ -
Balance at September 30, 2015	**$ 483,553**	**$ 1,059,027**	**$ 1,542,580**

9. INTELLECTUAL PROPERTY

	Trademark	Source Code	Total
Cost			
Balance at December 31, 2013	$ -	$ -	$ -
Additions	-	-	-
Balance at December 31, 2014	-	-	-
Additions	18,422	33,820	52,242
Balance at September 30, 2015	**$ 18,422**	**$ 33,820**	**$ 52,242**
Accumulated Amortization			
Balance at December 31, 2013	$ -	$ -	$ -
Additions	-	-	-
Balance at December 31, 2014	-	-	-
Additions	384	-	384
Balance at September 30, 2015	**$ 384**	**$ -**	**$ 384**
Carrying Amounts			
At December 31, 2014	$ -	$ -	$ -
Balance at September 30, 2015	**$ 18,038**	**$ 33,820**	**$ 51,858**

10. GOODWILL

On May 12, 2015, the Company announced the closing of the acquisition of 100% of VapeTronix Inc. VapeTronix, Inc. is a Canadian vaporizer and electronic cigarette company registered in the Province of Ontario. VapeTronix, Inc. owns the exclusive rights to the "1313" electronic cigarette brand, a medicinal marijuana mobile application technology, and several research and development projects. The purchase price for the VapeTronix shares was an aggregate of 7,000,000 common shares of the Company of which 1,500,000 common shares will be released subject to certain performance milestones being met. Finders' fees of 700,000 common shares were issued on closing.

Total consideration transferred	$ 350,000
Fair value of identifiable net assets	(44,305)
Goodwill	$ 305,695

11. MORTGAGE PAYABLE

Upon the closing of the property in Washington State, a promissory note was signed dated June 1, 2015 to secure a mortgage on the property in the principal amount of US$1,080,000 (CDN$1,446,552) with interest at 5% per annum. Interest only payments are required monthly. The principal amount of the mortgage is due May 31, 2017.

12. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value

Issued:

	Number		Issue Price		Amount
Balance at December 31, 2013	7,602,574	$	-	$	11,173,347
Agent warrants exercised	85,000		0.075		6,375
Fair value of agent warrants exercised	-		-		15,742
Warrants exercised	10,210,000		0.075		765,750
Incentive warrants issued	-		-		(578,204)
Private placement, net of share issuance costs	13,256,000		0.050		589,418
Balance at December 31, 2014	31,153,574		-		11,972,428
Shares issued for investment	4,350,000		0.075		326,250
Shares issued for acquisition of subsidiary	7,000,000		0.050		350,000
Share issuance costs - units	700,000		0.050		-
Private placement	19,366,000		0.050		968,300
Share issuance costs - cash	-		-		(54,265)
Share issuance costs - agent warrants	-		-		(154,067)
Warrants exercised	400,000		0.075		30,000
Balance at September 30, 2015	**62,969,574**	**$**	**-**	**$**	**13,438,646**

On March 10, 2014, the Company issued 13,256,000 units at $0.05 per unit for gross proceeds of $662,800. Each unit consists of one common share and one share purchase warrant of the Company. Each warrant is exercisable to purchase one common share of the Company until September 10, 2015 at $0.075 per share. The full issue price was allocated to the common shares. Finders' fees were paid in the amount of $15,600 along with the issuance of 312,000 agent warrants. Each agent warrant is exercisable to purchase one common share of the Company until September 10, 2015 at $0.075 per share. These agent warrants have a fair value, calculated using the Black-Scholes option pricing model, of $57,782 or $0.19 per option, assuming an expected life of one and a half years, a risk-free interest rate of 1.04%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 251%.

12. SHARE CAPITAL (continued)

a) Common shares (continued)

On March 10, 2014, the Company issued 13,256,000 units at $0.05 per unit for gross proceeds of $662,800. Each unit consists of one common share and one share purchase warrant of the Company. Each warrant is exercisable to purchase one common share of the Company until September 10, 2015 at $0.075 per share. The full issue price was allocated to the common shares. Finders' fees were paid in the amount of $15,600 along with the issuance of 312,000 agent warrants. Each agent warrant is exercisable to purchase one common share of the Company until September 10, 2015 at $0.075 per share. These agent warrants have a fair value, calculated using the Black-Scholes option pricing model, of $57,782 or $0.19 per warrant, assuming an expected life of one and a half years, a risk-free interest rate of 1.04%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 251%.

On February 24, 2015, the Company issued 4,350,000 common shares pursuant to the Share Exchange Agreement dated January 26, 2015 to acquire AAA Heidelberg Inc. (note 7).

On May 1, 2015, the Company issued 19,366,000 units at a price of $0.05 per unit for gross proceeds of $968,300. Each unit consists of one previously unissued common share and one transferable share purchase warrant of the Company. Each warrant is exercisable to purchase one additional common share of the Company until May 1, 2018 at $0.075 per share. The warrants have an acceleration clause such that, if after the required hold period, the shares in the Company trade above $0.15 for 10 consecutive trading days, the Company will notify the warrant holders that they have 30 days to exercise the warrants. The full issue price was allocated to the common shares. Finders' fees were paid in the amount of $54,265 along with the issuance of 1,680,000 agent warrants. Each agent warrant is exercisable to purchase one common share of the Company until May 1, 2018 at $0.075 per share. The agent warrants have an acceleration clause such that, if after the required hold period, the shares in the Company trade above $0.15 for 10 consecutive trading days, the Company will notify the warrant holders that they have 30 days to exercise the agent warrants. These agent warrants have a fair value, calculated using the Black-Scholes option pricing model, of $154,067 or $0.09 per warrant, assuming an expected life of three years, a risk-free interest rate of 0.72%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 195%.

On May 4, 2015, 400,000 warrants were exercised at $0.075 per share for gross proceeds of $30,000.

On May 12, 2015, the Company closed the acquisition of 100% of VapeTronix Inc. The purchase price for the VapeTronix shares was an aggregate of 7,000,000 common shares of the Company of which 1,500,000 common shares will be released subject to certain performance milestones being met. Finders' fees of 700,000 common shares with warrants were issued on closing.

12. SHARE CAPITAL (continued)

b) Warrants outstanding

	Number of Warrants		Weighted Average Exercise Price
Balance at December 31, 2013	1,252,000	$	1.500
Warrants expired	(252,000)		(1.500)
Warrants issued	13,256,000		0.075
Warrants exercised	(10,210,000)		(0.075)
Balance at December 31, 2014	4,046,000		0.427
Warrants expired	(3,646,000)		(0.466)
Warrants exercised	(400,000)		(0.075)
Warrants issued	20,066,000		0.075
Balance at September 30, 2015	**20,066,000**	**$**	**0.075**

Expiry Date	Remaining Life (Years)	Number of Warrants		Exercise Price
May 1, 2018	2.58	20,066,000		0.075
		20,066,000	$	0.075

c) Agent warrants outstanding

	Number of Agent Warrants		Weighted Average Exercise Price
Balance at December 31, 2013	-	$	-
Agent warrants issued	312,000		0.075
Agent warrants exercised	(85,000)		(0.075)
Balance at December 31, 2014	227,000	$	0.075
Agent warrants expired	(227,000)		(0.075)
Agent warrants issued	1,680,000		0.075
Balance at September 30, 2015	1,680,000	$	0.075

12. SHARE CAPITAL (continued)

c) Agent warrants outstanding (continued)

Expiry Date	Remaining Life (Years)	Number of Agent Warrants		Exercise Price
May 1, 2018	2.58	1,680,000		0.075
		1,680,000	$	0.075

d) Incentive warrants outstanding

	Number of Incentive Warrants		Weighted Average Exercise Price
Balance at December 31, 2013	-	$	-
Incentive warrants issued	5,082,500		0.20
Balance at December 31, 2014	5,082,500	$	0.20
Incentive warrants expired	(5,082,500)		(0.20)
Balance at September 30, 2015	-	$	-

On August 8, 2014, the Company announced the issuance of incentive warrants to subscribers of the private placement that were issued on March 10, 2014 of 13,256,000 units at a price of $0.05 per unit. The Company issued subscribers under the private placement ½ of an incentive warrant for each warrant exercised before August 29, 2014. 10,165,000 warrants were exercised for gross proceeds of $762,375 and the Company issued 5,082,500 incentive warrants. Each incentive warrant is exercisable to purchase one common share of the Company until September 1, 2015 at $0.20 per share. These incentive warrants have a fair value, calculated using the Black-Scholes option pricing model, of $578,204, or $0.11 per warrant, assuming an expected life of one year, a risk-free interest rate of 1.12%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 178%.

e) Stock options outstanding

On August 14, 2015, the Company's 2015 Stock Option Plan was approved. Under this plan, the Company may grant options to directors, officers, employees, and consultants, provided that the maximum number of options that are outstanding at any time shall not exceed 20% of the issued and outstanding common shares of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less applicable discount. The options may be granted for a maximum of ten years and vesting is determined by the Board of Directors.

12. SHARE CAPITAL (continued)

e) Stock options outstanding (continued)

	Number of Options	Weighted Average Exercise Price
Balance at December 31, 2013	290,000	$ 0.710
Options cancelled	(80,000)	(0.500)
Options expired	(50,000)	(0.500)
Options granted	2,900,000	0.194
Balance at December 31, 2014	3,060,000	$ 0.230
Options cancelled	(730,000)	(0.262)
Options granted	4,335,000	0.085
Balance at September 30, 2015	6,665,000	$ 0.132

Grant Date	Expiry Date	Remaining Life (Years)	Number of Options Granted and Outstanding	Exercise Price
January 4, 2011	January 4, 2016	0.26	80,000	$ 0.875
March 12, 2014	March 11, 2019	3.44	1,500,000	0.160
June 25, 2014	June 24, 2019	3.73	750,000	0.270
April 7, 2015	April 6, 2017	1.52	1,785,000	0.085
June 1, 2015	June 1, 2017	1.67	1,800,000	0.100
September 9, 2015	September 9, 2016	0.94	750,000	0.050
			6,665,000	$ 0.132

On March 12, 2014, the Company granted 1,500,000 stock options to certain directors, officers, and consultants of the Company to acquire 1,500,000 shares of the Company at an exercise price of $0.16 per share, with an expiry date of March 11, 2019. These options have a fair value, calculated using the Black-Scholes option pricing model, of $220,250 or $0.15 per option, assuming an expected life of five years, a risk-free interest rate of 1.64%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 154%.

On June 25, 2014, the Company granted 800,000 stock options to certain officers and consultants of the Company to acquire 800,000 shares of the Company at an exercise price of $0.27 per share, with an expiry date of June 24, 2019. These options have a fair value, calculated using the Black-Scholes option pricing model, of $198,336 or $0.25 per option, assuming an expected life of five years, a risk-free interest rate of 1.57%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 154%.

12. SHARE CAPITAL (continued)

e) Stock options outstanding (continued)

On August 29, 2014, the Company granted 300,000 stock options to certain consultants of the Company to acquire 300,000 shares of the Company at an exercise price of $0.185 per share, with an expiry date of August 28, 2015. These options have a fair value, calculated using the Black-Scholes option pricing model, of $34,217 or $0.11 per option, assuming an expected life of one year, a risk-free interest rate of 1.10%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 174%.

On September 4, 2014, the Company granted 300,000 stock options to certain consultants of the Company to acquire 300,000 shares of the Company at an exercise price of $0.175 per share, with an expiry date of September 3, 2015. These options have a fair value, calculated using the Black-Scholes option pricing model, of $33,051 or $0.11 per option, assuming an expected life of one year, a risk-free interest rate of 1.12%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 178%.

On April 7, 2015, the Company granted 1,785,000 stock options to certain consultants of the Company to acquire 1,785,000 shares of the Company at an exercise price of $0.085 per share for a period of two years that expire on April 6, 2017. These options have a fair value, calculated using the Black-Scholes option pricing model, of $125,274 or $0.07 per option, assuming an expected life of two years, a risk-free interest rate of 0.50%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 271%.

On June 1, 2015, the Company granted 1,800,000 stock options to certain consultants of the Company to acquire 1,800,000 shares of the Company at an exercise price of $0.10 per share for a period of two years that expire on June 1, 2017. These options have a fair value, calculated using the Black-Scholes option pricing model, of $120,235 or $0.07 per option, assuming an expected life of two years, a risk-free interest rate of 0.56%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 257%.

On September 9, 2015, the Company granted 750,000 stock options to certain consultants of the Company to acquire 750,000 shares of the Company at an exercise price of $0.05 per share for a period of one year that expire on September 9, 2016. These options have a fair value, calculated using the Black-Scholes option pricing model, of $15,228 or $0.02 per option, assuming an expected life of one year, a risk-free interest rate of 0.47%, an expected dividend rate of 0.00%, and an expected annual volatility coefficient of 153%.

Expected annual volatility has been calculated by reference to historical volatility.

13. RELATED PARTY TRANSACTIONS

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the nine months ended September 30, 2015 and 2014:

13. RELATED PARTY TRANSACTIONS (continued)

	Accounting	Administration Fees	Consulting	Rent	Fair Value of Incentive Warrants	Share-Based Compensation	September 30, 2015 Total
Christopher Hornung	$ -	$ -	$ -	$ -	$ -	$ 16,699	**$ 16,699**
Derek Ivany	-	-	25,000	-	-	-	**25,000**
Foremost Management Services Inc.	-	213	63,750	13,500	-	33,398	**110,861**
Myriad Interactive Media, Inc.	-	-	15,798	-	-	-	**15,798**
T. St. Denis, Inc.	17,538	-	-	-	-	6,679	**24,217**
Timeline Filing Services Inc.	-	-	2,363	-	-	-	**2,363**
Yari Nieken	-	-	58,500	-	-	16,699	**75,199**
	$ 17,538	$ 213	$ 165,411	$ 13,500	$ -	$ 73,475	**$ 270,137**

	Accounting	Administration Fees	Consulting	Rent	Fair Value of Incentive Warrants	Share-Based Compensation	September 30, 2014 Total
Christopher Hornung	$ -	$ -	$ -	$ -	$ 5,688	$ 36,700	$ 42,388
Foremost Geological Consulting	-	-	10,000	-	-	-	10,000
Foremost Management Services Inc.	-	261	67,500	8,571	-	73,400	149,732
T. St. Denis, Inc.	13,300	-	-	-	-	22,020	35,320
Tracey St. Denis	-	-	-	-	5,688	-	5,688
Timeline Filing Services Ltd.	-	-	7,112	-	-	12,395	19,507
Yari Nieken	-	-	64,625	-	-	36,700	101,325
	$ 13,300	$ 261	$ 149,237	$ 8,571	$ 11,376	$ 181,215	$ 363,960

Christopher Hornung is a director of the Company. Mr. Hornung was granted 250,000 stock options on March 12, 2014 with an exercise price of $0.16, an expiry date of March 11, 2019, and a fair value of $36,700. Mr. Hornung was also issued 50,000 incentive warrants (note 12(d)) on the exercise of 100,000 warrants in August, 2014. Each incentive warrant has an exercise price of $0.20, an expiry date of September 1, 2015, and a total fair value of $5,688. On June 1, 2015, Mr. Hornung was granted 250,000 stock options with an exercise price of $0.10, an expiry date of June 1, 2017, and a fair value of $16,699.

Derek Ivany is the President of VapeTronix, Inc. and 1313 Wear Ltd. At September 30, 2015, $1,679 (December 31, 2014 - $Nil) due from Mr. Ivany is included in the advances to related parties.

On January 28, 2011 the Company entered into an indefinite term contract with Foremost Geological Consulting (the "consultant"), a business owned by a director of the Company, Ian Foreman. The agreement provides for the consultant to continue to act as primary technical consultant and a director of the Company. Effective January 1, 2013, a monthly consulting fee of $5,000 is payable to the consultant. The contract may be cancelled by either party on 30 days written notice and, if cancelled by the Company, by payment of an amount equivalent to two years annual salary. On termination of the contract the consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until January 5, 2016 or for such time as the consultant still holds unexercised stock options in the Company. On exercise of the consultant's options, the relationship between the consultant and the Company will cease. On March 1, 2014, this agreement was terminated and the termination clause was waived. At September 30, 2015, $10,000 (December 31, 2014 - $10,000) due from Foremost Geological Consulting is included in the advances to related parties.

13. RELATED PARTY TRANSACTIONS (continued)

Effective January 1, 2013, the Company entered into an agreement with Foremost Management Services Inc., a company owned by a director, Ian Foreman. The agreement provides for Foremost Management Services Inc. to earn an administration fee calculated as 10% of all incurred monthly expenses in exchange for managing the affairs of the Company. Effective October 1, 2013, the agreement was amended to include a sublease agreement for $500 per month representing rent for one office. On March 1, 2014, the Company amended the sublease agreement to $1,000 per month, inclusive of the goods and services tax, effective October 1, 2013. On November 1, 2014, the Company amended the sublease agreement to $1,500 per month not including the goods and services tax when the Company moved to larger premises.

On March 1, 2014, the Company entered into a Management Consulting Services Agreement with Foremost Management Services Inc. The agreement provides for Foremost Management Services Inc. to provide management consulting services to the Company for a one year period and then on a month to month basis thereafter. The contract may be cancelled by either party after the first year on 30 days written notice and, if cancelled by the Company, by payment of an amount equivalent to one year's annual fees. In the event the management consultant breaches the terms of the agreement, no notice is required by the Company. Upon termination of the contract, the management consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until such time as the management consultant no longer holds unexercised stock options in the Company. The options will not be cancelled upon termination. On exercise of the management consultant's options, the relationship between the consultant and the Company will cease. A monthly consulting fee of $7,500 is payable along with the issuance of 500,000 stock options in the Company. These options were granted on March 12, 2014 at an exercise price of $0.16 per share, with an expiry date of March 11, 2019, and a total fair value of $73,400. On June 1, 2015, Foremost Management Services Inc. was granted 500,000 stock options with an exercise price of $0.10, an expiry date of June 1, 2017, and a fair value of $33,398. Effective September 1, 2015, the management consulting services agreement was amended to $3,750 per month. At September 30, 2015, $4,313 (December 31, 2014 - $(63,114)) due from Foremost Management Services Inc. is included in advances to (from) related parties.

Ian Foreman is a director of the Company. On January 4, 2011, Mr. Foreman was granted 80,000 stock options with an exercise price of $0.875, an expiry date of January 4, 2016, and a fair value of $48,000.

Myriad Interactive Media, Inc. is a public company that the President of VapeTronix, Inc. and 1313 Wear Ltd. is the Chief Executive Officer. At September 30, 2015, $3,200 due to Myriad Interactive Media, Inc. is included in accounts payable and accrued liabilities.

T. St. Denis, Inc. is a private accounting firm owned by the Chief Financial Officer, Tracey A. St. Denis. T. St. Denis, Inc. provides accounting services to the Company. T. St. Denis, Inc. was granted 150,000 stock options on March 12, 2014 with an exercise price of $0.16, an expiry date of March 11, 2019, and a fair value of $22,020. Ms. St. Denis was issued 50,000 incentive warrants (note 12(d)) on the exercise of 100,000 warrants in July, 2014. Each incentive warrant has an exercise price of $0.20, an expiry date of September 1, 2015, and a total fair value of $5,688. On June 1, 2015, T. St. Denis, Inc. was granted 100,000 stock options with an exercise price of $0.10, an expiry date of June 1, 2017, and a fair value of $7,420. At September 30, 2015, $6,500 (December 31, 2014 - $6,500) is included in accounts payable and accrued liabilities relating to the accounting accrual for the current period.

13. RELATED PARTY TRANSACTIONS (continued)

Timeline Filing Services Ltd. is a private company owned by the former Corporate Secretary, Laara Shaffer. Ms. Shaffer was granted 50,000 stock options on June 25, 2014 with an exercise price of $0.27, an expiry date of June 24, 2019, and a total fair value of $12,395. These options were cancelled subsequent to September 30, 2015.

On April 1, 2014, the Company entered into a Management Consulting Services Agreement with Paradigm Shift Consulting (the "consultant"), a private business owned by Yari Nieken. The consultant acts as the President and Chief Executive Officer and a director of the Company. A monthly consulting fee of $6,500 is payable to the consultant plus $200 per day when required to travel from Vancouver, British Columbia. The agreement may be cancelled by either party on 30 days written notice. On termination of the contract the consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until such time as the consultant still holds unexercised stock options in the Company. On exercise of the consultant's options, the relationship between the consultant and the Company will cease. Mr. Nieken was granted 250,000 stock options on March 12, 2014 with an exercise price of $0.16, an expiry date of March 11, 2019, and a total fair value of $36,700. Mr. Nieken was granted 250,000 stock options with an exercise price of $0.10, an expiry date of June 1, 2017, and a fair value of $16,699. At September 30, 2015, $8,012 (December 31, 2014 - $(8,779)) due from Paradigm Shift Consulting is included in the advances to (from) related parties. At September 30, 2015, $2,836 (December 31, 2014 - $1,209) due to Yari Nieken is included in advances from related parties.

At September 30, 2015, $320 (December 31, 2014 - $320) due from Golden Sun Mining Corp., a public company that had common directors, is included in the advances to related parties.

14. CONTINGENT LIABILITY

On May 18, 2011, the Company received an order granted by a court in Lima, Peru indicating that the Company is responsible for a debt of US$209,403 incurred by a former subsidiary of the Company. The Company did not receive notice of the Peruvian legal proceedings and is seeking advice concerning an application to set aside the order. The Company retained Peruvian legal counsel who advised that the Company is not responsible for this obligation.

The most recent contact from Peru indicates that the order has been dropped but the Company has not received formal notice of such release. No amounts have been recorded in the Company's books and records regarding this issue.

15. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities along with other cash flow information during the nine months ended September 30, 2015 and 2014 are as follows:

		September 30 2015		September 30 2014
Fair value of agent warrants issued for share costs	**$**	**154,067**	$	57,782
Fair value of stock options cancelled/expired	**$**	**127,663**	$	7,625
Fair value of units issued for share costs	**$**	**35,000**	$	-
Interest paid	**$**	**22,891**	$	1,030
Interest received	**$**	**-**	$	54
Shares issued for acquisition of subsidiaries	**$**	**350,000**	$	-
Shares issued for investment	**$**	**326,250**	$	-

16. SEGMENTED INFORMATION

The Company operates in four reportable segments: (i) the acquisition, exploration, and development of exploration and evaluation assets; (ii) the medical marijuana industry through the purchase of an interest in a private Ontario company that is in the process of applying for a MMPR license; (iii) the sale of e–cigarettes and (iv) acquiring rental property in the State of Washington. The significant categories identifiable are as follows:

16. SEGMENTED INFORMATION (continued)

	(Canada) Mineral Interests	(Canada) Medical Marijuana	(Canada) E-Cigarettes	(US) Building Rental	Total
Balance at December 31, 2013	$ 263,446	$ -	$ -	$ -	$ 263,446
Deposit on property in Washington State	-	-	-	29,003	29,003
Exploration expenditures	2,606	-	-	-	2,606
Investment in AAA Heidelberg Inc.	-	120,000	-	-	120,000
Loans receivables	-	160,000	-	19,722	179,722
Return of security deposit	(15,000)	-	-	-	(15,000)
Other current assets	132,227	-	-	-	132,227
Balance at December 31, 2014	$ 383,279	$ 280,000	$ -	$ 48,725	$ 712,004
Investment held for sale	4,000	-	-	-	4,000
Loans receivable	-	112,710	-	22,770	135,480
Property in Washington State	-	-	-	1,542,580	1,542,580
Intangible assets			51,858	-	51,858
Proceeds on signing option agreement	(12,000)	-	-	-	(12,000)
Return of reclamation bond	(18,000)	-	-	-	(18,000)
Goodwill from acquistion of subsidiary			305,695		305,695
Other current assets	285,013	-	70,116	(44,243)	310,886
Balance at September 30, 2015	**$ 642,292**	**$ 392,710**	**$ 427,669**	**$ 1,569,832**	**$ 3,032,503**
Loss for the period ended September 30, 2015	**$ 315,204**	**$ 315,204**	**$ 44,095**	**$ 192,647**	**$ 867,150**
Loss for the period ended September 30, 2014	$ 1,022,266	$ -	$ -	$ -	$ 1,022,266

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, amounts receivable, advances to related parties, loans receivable, accounts payable and accrued liabilities, and advances from related parties approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Fair value of financial instruments (continued)

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – 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); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

b) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

The loans receivable expose the Company to credit risk and the Company has limited this exposure by securing one of the loans with collateral; and the other loan is unsecured.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at September 30, 2015 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Financial risk management (continued)

iii) Market risk (continued)

(a) Interest rate risk (continued)

Current financial assets and current financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. At September 30, 2015, the Company has a mortgage with a set interest rate of 5% per annum due May 31, 2017 with interest only payments made monthly.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company is exposed to foreign currency risk with respect to its US subsidiary operations.

At September 30, 2015, financial instruments were converted at a rate of $1.00 Canadian to US$1.3394.

	September 30 2015 USD	December 31 2014 USD
Cash	**$ 525**	$ -
Loan receivable	**$ 17,000**	$ 17,000
Prepaid expenses and deposits	**$ 2,821**	$ 28,575
Property	**$ 1,229,147**	$ -
Mortgage payable	**$ 1,080,000**	$ -

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk. The Company's sensitivity analysis suggests that a 5% change in the absolute rate of exchange for US dollars would significantly affect its cash position at this time.

(c) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Financial risk management (continued)

iii) Market risk (continued)

(b) Capital risk management (continued)

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, reserves, and deficit. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, AAA Heidelberg Inc. receiving a MMPR license from Health Canada, the sale of the Company's e-cigarettes, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

18. SUBSEQUENT EVENTS

On October 2, 2015, the Company granted 500,000 stock options to certain consultants of the Company to acquire 500,000 shares of the Company at an exercise price of $0.05 per share for a period of five years that expire on October 2, 2020.

On October 10, 2015, the Company granted 200,000 stock options to certain consultants of the Company to acquire 200,000 shares of the Company at an exercise price of $0.05 per share for a period of one year that expire on October 10, 2016.

On October 22, 2015, the Company issued 2,000,000 common shares pursuant to the Share Exchange Agreement dated January 26, 2015 to acquire AAA Heidelberg Inc. (note 7).

On October 29, 2015, the Company closed a private placement for 9,298,000 units at a price of $0.05 per unit for gross proceeds of $464,900. Each unit consists of one previously unissued common share and one transferable share purchase warrant of the Company. Each warrant is exercisable to purchase one additional common share of the Company until October 30, 2018 at $0.075 per share. The warrants have an acceleration clause such that, if after the required hold period, the shares in the Company trade above $0.15 for 10 consecutive trading days, the Company will notify the warrant holders that they have 30 days to exercise the warrants. The full issue price was allocated to the common shares. No finders' fees were paid in conjunction with this private placement.