PUF VENTURES INC.

(formerly Chlormet Technologies Inc.)

Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2016

(Expressed in Canadian Dollars)

(Unaudited)

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. for the nine months ended September 30, 2016 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)

	Notes	September 30, 2016	December 31, 2015
ASSETS			
Current assets			
Cash		$ 162,008	$ 123,264
GST receivable		7,530	13,165
Inventory – finished goods		23,396	23,396
Investment held for sale	4	-	4,000
Loan from related parties	12	1,895	11,895
Loans receivable	5	-	-
Prepaids		48,162	202,378
		242,991	378,098
Deposit		-	-
Loans receivable	5	453,591	332,710
Exploration and evaluation assets	6	110,000	16,000
Investment	7	718,147	718,147
Property	8	-	1,494,720
Intellectual property	9	609,439	609,439
TOTAL ASSETS		**$ 2,134,168**	**$ 3,549,114**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities		$ 22,986	$ 73,089
Mortgage payable	10	-	1,507,391
TOTAL CURRENT LIABILITIES		**22,986**	**1,580,480**
SHAREHOLDERS' EQUITY			
Share capital	11	14,781,048	14,254,178
Reserves	11	1,980,105	1,639,320
Deficit		(14,649,971)	(13,924,864)
TOTAL SHAREHOLDERS' EQUITY		**2,111,182**	**1,968,634**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 2,134,168**	**$ 3,549,114**

Nature and continuance of operations (Note 1)
Commitment (Note 10)

PUF VENTURES INC.
(formerly Chlormet Technologies, Inc.)
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Sales	$ -	$ -	$ 138,850	$ 8,521
Cost of sales	-	-	113,835	5,995
		-	25,015	2,526
Rental income	-	-	-	3,085
	-	-	25,015	5,611
EXPENSES				
Accounting and auditing	$ 575	$ 6,764	$ 31,185	$ 24,122
Administration fees	-	74	-	213
Consulting and management	201,062	72,358	357,739	341,541
Depreciation and amortization	-	5,392	-	15,797
Insurance	-	2,125	4,134	8,500
Investor communications	-	1,962	-	5,763
Legal	6,600	6,163	12,147	37,056
Office and sundry	6,275	33,257	17,040	54,020
Regulatory and transfer agent fees	6,984	5,017	9,618	16,971
Share-based compensation	324,750	15,228	327,384	260,737
Travel and business development	4,524	11,391	8,520	25,744
Loss before other items	(541,830)	(159,731)	(767,767)	(790,464)
OTHER ITEMS				
Foreign exchange gain	-	92,159	(10)	89,986
Forgiveness of debt	-	(15,689)	-	(15,689)
Other income	-	-	12,670	-
Realized gain on sale of investment	-	-	30,000	-
Unrealized gain (loss) on investment held for sale	-	-	-	8,000
	-	76,470	42,660	82,297
Loss and comprehensive loss for the period	$ (541,830)	$ (236,320)	$ (725,107)	$ (867,150)
Basic and diluted loss per common share	$ (0.02)	$ (0.02)	$ (0.04)	$ (0.07)
Weighted average number of common shares outstanding	22,775,520	15,742,393	20,619,722	12,401,243

PUF VENTURES INC.
(formerly Chlormet Technologies, Inc.
Condensed Interim Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital						
	Number of shares	Amount	Share subscription receivable	Share-based payment reserves	Warrant reserve	Deficit	Total
Balance at December 31, 2014	**7,788,394**	**11,972,428**	**-**	**581,853**	**620,244**	**(12,663,909)**	**510,616**
Comprehensive loss:							
Net and comprehensive loss for the period	-	-	-	-	-	(867,150)	(867,150)
Transactions with owners, in their capacity as owners, and other transfers:							
Shares issued for investment	1,087,500	326,250	-	-	-	-	326,250
Shares issued for acquisition of subsidiary	1,750,000	350,000	-	-	-	-	350,000
Share issuance costs – units	175,000	1 -	-	-	-	-	-
Private placement	4,841,500	968,300	-	-	-	-	968,300
Share issuance costs – cash	-	(54,265)	-	-	-	-	(54,265)
Share issuance costs – agent warrants	-	(154,067)	-	-	154,067	-	-
Warrants exercised	100,000	30,000	-	-	-	-	30,000
Share-based compensation	-	-	-	260,737	-	-	260,737
Balance at September 30, 2015	**35,503,574**	**13,438,646**	**-**	**842,590**	**774,311**	**(13,531,059)**	**1,524,488**
Balance at December 31, 2015	**18,691,894**	**$ 14,254,178**	**-**	**$ 772,627**	**$ 866,693**	**$ (13,924,864)**	**$ 1,968,634**
Comprehensive loss:							
Net and comprehensive loss for the period	-	-	-	-	-	(725,107)	(725,107)
Transactions with owners, in their capacity as owners, and other transfers:							
Shares issued for investment	2,296,060	120,881	-	-	-	-	120,881
Shares issued for acquisition of subsidiary	2,000,000	110,000	-	-	-	-	110,000
Private placement	4,062,000	203,100	-	-	-	-	203,100
Share issuance costs – cash	-	(4,920)	-	-	-	-	(4,920)
Share issuance costs – agent warrants	-	(13,401)	-	-	13,401	-	-
Shares issued for settlement of accounts payable	1,424,200	111,210	-	-	-	-	111,210
Share-based compensation	-	-	-	327,384	-	-	327,384
Balance at September 30, 2016	**28,474,154**	**$ 14,781,048**	**-**	**$ 1,100,011**	**$ 880,094**	**$ (14,649,971)**	**$ 2,111,182**

PUF VENTURES INC.
(formerly Chlormet Technologies, Inc.)
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	For the nine months ended September 30, 2016	September 30, 2015
Operating activities		
Net loss for the period	$ (725,107)	$ (867,150)
Adjustments for:		
Depreciation and amortization	-	15,797
Foreign exchange	-	89,986
Gain on debt forgiven	(12,670)	(15.689)
Share-based compensation	327,384	260,737
Unrealized loss on investment held for sale	(30,000)	8,000
Changes in non-cash working capital items:	(240,957)	(73,653)
Net cash flows used in operating activities	(199,436)	(581,972)
Financing activities		
Related parties loans	(10,000)	(79,844)
Issuance of common shares	198,180	944,035
Net cash flows provided by financing activities	188,180	864,191
Investing activities		
Proceeds from sale of investment	50,000	-
Acquisition of property	-	(58,241)
Advances to related parties	-	(14,003)
Expenditures on exploration and evaluation assets	-	18,000
Loan receivable	-	(112,710)
Net cash flows used in investing activities	50,000	(166,954)
Effect of foreign exchange translation on cash	-	(128,583)
Change in cash	38,744	(13,318)
Cash, beginning	123,264	89,647
Cash, ending	**$ 162,008**	**$ 76,329**

Non-cash transactions (Note 13)

1. NATURE AND CONTINUANCE OF OPERATIONS

PUF Ventures Inc. (formerly Chlormet Technologies, Inc.) (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".

On March 26, 2014, the Company acquired a 16.5% interest in AAA Heidelberg Inc. ("AAA-H"), a private company located in Ontario, for cash of $120,000. The Company signed a Letter of Intent ("LOI") with the principals of AAA-H 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 CSE 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-H (Note 7).

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 (Note 8).

On May 12, 2015, the Company acquired of 100% of VapeTronix Inc. ("VapeTronicx"). VapeTronix is a Canadian vaporizer and electronic cigarette company registered in the Province of Ontario. VapeTronix 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 (Note 9).

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 15.

During the nine months ended September 30, 2016, the Company completed a 4 for 1 share consolidation. All references to number of shares and per share amounts have been retroactively restated to reflect this consolidation.

At September 30, 2016, the Company has working capital of $220,005 (December 31, 2015 working capital deficiency of $1,202,382), and an accumulated deficit of $14,649,971 (December 31, 2015 - $13,924,864).

1. NATURE AND CONTINUANCE OF OPERATIONS (cont'd)

The Company generates minimal cash flow from operations and 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 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 consolidated financial statements include the accounts of the Company and its Canadian and US subsidiaries:

	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 consolidated financial statements.

2. BASIS OF PREPARATION (continued)

c) Presentation and functional currency

The functional currency of the parent company, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements. The functional currency of the Company's Canadian and US subsidiaries is also the Canadian dollar.

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 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.

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.

(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.

2. BASIS OF PREPARATION (continued)

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.

(b) 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.

(c) 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

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.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. INVESTMENT HELD FOR SALE

On January 15, 2015, the Company finalized an agreement with Kiska Metals Corporation ("Kiska") for the option of the Company's Chuchi property. During the nine months ended September 30, 2016, the Company received an additional 800,000 shares of Kiska (Notes 6). During the nine months ended September 30, 2016, the Company sold 1,000,000 shares of Kiska for gross proceeds of $50,000.

5. LOANS RECEIVABLE

On November 3, 2014, the Company provided a loan in the amount of US$17,000 ($19,722) 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 loan was not repaid and the Company consequently recorded a bad debt of $23,723.

On November 3, 2014, the Company provided AAA-H with a $160,000 loan. On February 20, 2015, the Company guaranteed a first mortgage to a third party in the amount of $400,000 on behalf of AAA-H 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-H. 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 a one year period along with a bonus of $60,000. This loan is secured by all the assets of AAA-H and subordinate only to a first mortgage to the third party in the amount of $400,000. At March 31, 2016, the total amount of the loan is $332,710 (December 31, 2015: $332,710). The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement dated January 26, 2015 by a cancellation of shares of the Company otherwise issuable with a fair value of $332,710 (Note 7). During the period ended September 30, 2016, the Company issued a total of 1,890,880 common shares of the Company at a deemed value of $0.05 per common share representing a full year of interest-only payments totaling $94,544 and 405,180 common shares as finder's fees valued at $26,337, pursuant to the securing of a new private mortgage group that replaced the Company's existing lender.

6. EXPLORATION AND EVALUATION ASSETS

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.

On January 15, 2015, the Company entered into an option agreement with Kiska, a public company listed on the TSX Venture Exchange. 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 (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 provides that the Company will 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.

During the nine months ended September 30, 2016, Kiska accelerated the option agreement and issued to the Company 800,000 common shares to acquire a 100% in the property. The Company has written the property down to its net realizable value as at December 31, 2015, being the fair value of the shares acquired.

b) Newton Property, British Columbia

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.

At December 31, 2015, due to the uncertainty of the project, the Company wrote off the remaining $5,000 to operations.

b) Lac Saint Simon, Quebec

(Expressed in Canadian Dollars)

The Company has acquired a 100% interest in certain mineral claims located in Quebec, Canada, known as the Lac Saint Simon Lithium through the issuance of 2,000,000 common shares of the Company valued at $0.055 per share for total value of $110,000.

7. INVESTMENT

On March 26, 2014, the Company acquired a 16.5% interest in AAA-H for $120,000. The Company has now executed a Share Exchange Agreement effective January 26, 2015 with the principals of AAA-H whereby the Company can acquire the remaining 83.5% interest subject to certain conditions including the grant of a “MMPR” license by issuing up to 18,350,000 common shares of the Company subject to CSE escrow policies. The common shares will be issued in stages. On February 24, 2015, the first tranche of 4,350,000 common shares with a fair value of $348,000 representing an additional 19.79% interest was completed. On February 24, 2015, the Company commenced equity accounting the investment in AAA-H. As a result the Company fair valued its equity accounted investment in AAA-H and recorded a gain of $170,147 in the statement of comprehensive loss repressing the difference between the cost and the fair value of the investment. On October 30, 2015, the second tranche of 2,000,000 common shares, with a fair value of $80,000 representing an additional 9.1% interest was completed. The Company now has a 45.39% ownership interest in AAA-H. The Company’s share of AAA-H’s loss for the year totaled $Nil.

On February 20, 2015, the Company guaranteed a first mortgage to a third party in the amount of $400,000 on behalf of AAA-H (Note 5).

8. PROPERTY

The property was located in Washington States. During the three months ended March 31, 2016, the Company sold the property at an amount equal to the outstanding mortgage. Accordingly an impairment charge of $200,754 was recorded during fiscal 2015.

9. INTELLECTUAL PROPERTY

On May 12, 2015, the Company announced the closing of the acquisition of 100% of VapeTronix. VapeTronix is a Canadian vaporizer and electronic cigarette company registered in the Province of Ontario. VapeTronix, 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. Finders’ units consisting of 700,000 common shares and 700,000 warrants were issued on closing.

Total consideration transferred	$	750,184
Fair value of identifiable net assets		(21,841)
Intellectual property		728,343
Amortization		(136,564)
Intellectual Property		591,779
Trademark		17,660
Total	$	609,439

10. MORTGAGE PAYABLE

Upon the closing of the property (Note 8), 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 $1,494,720) with interest at 5% per annum. Interest only payments are required monthly. The principal amount of the mortgage is due May 31, 2017. As at December 31, 2015, the Company was in default of the mortgage and included in mortgage payable is $12,671 of accrued interest for November to December 31, 2015.

During the nine months ended September 30, 2016, the Company sold the property at an amount equal to the outstanding mortgage.

11. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value

Issued:

On February 24, 2015, the Company issued 1,087,500 common shares with a fair value of $348,000 pursuant to the Share Exchange Agreement dated January 26, 2015 to acquire AAA-H (Note 7).

On May 1, 2015, the Company issued 4,841,500 units at a price of $0.05 per unit for gross proceeds of $968,300. Each unit consists of one 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 $0.30 per share. The warrants have an acceleration clause such that, if after the required hold period, the shares in the Company trade above $0.60 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 $55,403 along with the issuance of 420,000 agent warrants. Each agent warrant is exercisable to purchase one common share of the Company until May 1, 2018 at $0.30 per share. The agent warrants have an acceleration clause such that, if after the required hold period, the shares in the Company trade above $0.60 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 $0.36 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 of 195%.

On May 12, 2015, the Company issued 1,750,000 common shares with a fair value of $630,000 to acquire VapeTronix. In addition, the Company issued 175,000 common shares with a fair value of $63,000 as finder's fees for the VapeTronix acquisition and 175,000 warrants with a fair value of $57,184 (Note 9).

On October 22, 2015, the Company issued 500,000 common shares, with a fair value of $80,000 pursuant to the Share Exchange Agreement dated January 26, 2015 to acquire AAA-H (Note 7).

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

a) Common shares (continued)

On October 29, 2015, the Company closed a private placement for 2,324,500 units at a price of $0.05 per unit for gross proceeds of $464,900. Each unit consists of one 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.

On January 22, 2016, the Company issued 250,000 common shares to settle $52,500 of accounts payable and accrued liabilities.

On August 17, 2016, the Company issued 4,062,000 units at a price of $0.05 per unit for gross proceeds of $203,100. Each unit consists of one 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 Augsut 17, 2018 at $0.10 per share. Finders' fees were paid in the amount of $4,920 along with the issuance of 202,800 agent warrants. Each agent warrant is exercisable to purchase one common share of the Company until August 17, 2018 at $0.10 per share. These agent warrants have a fair value, calculated using the Black-Scholes Option Pricing Model, of $13,401, assuming an expected life of three years, a risk-free interest rate of1.65%, an expected dividend rate of 0.00%, and an expected annual volatility of 229%.

b) Warrants outstanding

	Number of warrants		Weighted Average Exercise Price
Balance at December 31, 2014	1,011,500	$	1.708
Warrants expired	(911,500)		1.864
Warrants exercised	(100,000)		0.300
Warrants issued	7,341,000		0.300
At December 31, 2015	7,341 000	$	0.300
Warrants issued	4,264,800		0.100
At September 30, 2016	11,605,800	$	0.220

Expiry Date	Remaining Life (Years)	Number of warrants		Exercise Price
May 1, 2018	1.58	5,016,500		0.300
August 17, 2018	1.86	4,264,800		0.100
October 30, 2018	2.08	2,324,500		0.300
Balance at September 30, 2016		11,605,800	$	0.220

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

c) Agent warrants outstanding

	Number of warrants	Weighted Average Exercise Price
Balance at December 31, 2014	56,750	$ 0.300
Warrants expired	(56,750)	0.300
Warrants issued	420,000	0.300
At December 31, 2015 and September 30, 2016	**420,000**	**$ 0.300**

Expiry Date	Remaining Life (Years)	Number of warrants	Exercise Price
May 1, 2018	1.58	420,000	$ 0.300

d) Incentive warrants outstanding

	Number of warrants	Weighted Average Exercise Price
Balance at December 31, 2014	1,270,625	$ 0.800
Incentive warrants expired	(1,270,625)	0.800
At December 31, 2015 and September 30, 2016	-	$ -

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 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.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

e) Stock options outstanding (continued)

Grant Date	Expiry Date	Number of Options Granted and Outstanding	Exercise Price
March 12, 2014	March 11, 2019	375,000	$ 0.640
June 25, 2014	June 24, 2019	187,500	1.080
April 7, 2015	April 6, 2017	446,250	0.340
June 1, 2015	June 1, 2017	450,000	0.400
October 2, 2015	October 2, 2020	125,000	0.200
October 10, 2015	October 10, 2016	50,000	0.200
January 22, 2016	January 22, 2017	250,000	0.200
September 22, 2016	September 22, 2022	1,400,000	0.235
Balance at September 30, 2016		3,313,750	0.345

	Number of options	Weighted Average Exercise Price
Balance at December 31, 2014	765,000	$ 0.920
Options cancelled	(182,500)	3.640
Options granted	1,258,750	0.32
At December 31, 2015	**1,871,250**	**$ 0.496**
Options cancelled	(207,500)	0.20
Options granted	1,650,000	0.21
At September 30, 2016	**3,313,750**	**0.345**

11. SHARE CAPITAL (continued)

e) Stock options outstanding (continued)

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 $132,071 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 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 $146,714 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 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 $18,253 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 of 153%.

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. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of $18,461 or $0.04 per option, assuming an expected life of five years, a risk-free interest rate of 0.70%, an expected dividend rate of 0.00%, and an expected annual volatility of 162%.

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. These options have a fair value, calculated using the Black-Scholes Option Pricing Model, of $2,938 or $0.01 per option, assuming an expected life of one year, a risk-free interest rate of 0.53%, an expected dividend rate of 0.00%, and an expected annual volatility of 137%.

On January 22, 2016, the Company granted 1,000,000 stock options to certain consultants of the Company to acquire 1,000,000 shares of the Company at an exercise price of $0.05 per share for a period of one year that expire on January 22, 2016. These options have a fair value, calculated using the Black0Scholes Option Pricing Model of $2,634 assuming an expected life of one year, a risk-free interest rate of 1.48%, an expected dividend rate of 0.00%, and an expected annual volatility of 165%.

On January 22, 2016, the Company granted 1,400,000 stock options to certain consultants of the Company to acquire 1,400,000 shares of the Company at an exercise price of $0.235 per share for a period of five years that expire on January 22, 2016. These options have a fair value, calculated using the Black0Scholes Option Pricing Model of $324,750 assuming an expected life of one year, a risk-free interest rate of 1.48%, an expected dividend rate of 0.00%, and an expected annual volatility of 229%.

11. SHARE CAPITAL (continued)

f) Share-based Payments Reserve

The Share-based payment reserve represents employee entitlements to share-based awards that have been charge to the loss and other comprehensive loss in the periods during which the entitlements were accrued and have not yet been exercised. When the stock options are exercised, the corresponding amount will be transferred to share capital. If the options expired unexercised, the amount recorded is transferred to deficit.

g) Warrants Reserve

The warrants reserve records fair value of the warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to deficit.

12. RELATED PARTY TRANSACTIONS

The Company has identified the directors and senior officers as key management personnel. The following compensation costs paid directly or to companies controlled by key management personnel for the period ended September 30, 2016 and 2015.

During the period ended September 30, 2016, the Company incurred consulting, management and professional fees of $98,375 (2015 - $183,162) and rent of $4,207 (2015 - $13,500) from related parties.

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand.

13. SUPPLEMENTAL CASH FLOW INFORMATION

During the period ended September 30, 2016 the Company settled the mortgage payable by transferring the land and building that it pertained to. In addition, the Company received 800,000 common shares of Kiska for the sale of its Chuchi property. The Company settled $111,210 of accounts payable through the issuance of 1,424,200 common shares. The Company also acquired a mineral property valued at $110,000 for 2,000,000 common shares.

During the period ended September 30, 2015, included in prepaid expenses and deposits was $15,000 of exploration and evaluation assets.

14. 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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, GST receivable, advances to related parties, loans receivable, accounts payable, mortgage payable 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:

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).

The Company's cash is measured using level 1 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, 2016 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.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Financial risk management (continued)

iii) Market risk (continued)

(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.

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, 2016, the Company was not affected by interest rate risk.

(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.

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.

The capital structure of the Company consists of equity attributable to common shareholders. 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.

16. SUBSEQUENT EVENT

Subsequent to September 30, 2016, the Company completed a non-brokered private placement and issued 1,545,000 units at a price of $0.20 per unit raising gross proceeds of $309,000. Each unit consisted of one common share and one transferrable common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.25 per common share for two years from the date of issuance. A finder's fee was paid as part of the private placement