Liberty Leaf Holdings Ltd.
(formerly Weststar Resources Corp.)

Condensed Interim Financial Statements

Nine Months Ended September 30, 2016

(Unaudited - Expressed in Canadian Dollars)

Liberty Leaf Holdings Ltd.
(formerly Weststar Resources Corp.)

Nine Months Ended September 30, 2016

INDEX	**Page**
Condensed Interim Financial Statements	

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

The Company's independent auditor Smythe Ratcliffe LLP, Chartered Accountants has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

November 28, 2016

Liberty Leaf Holdings Ltd.
(formerly Weststar Resources Corp.)
Condensed Interim Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

	September 30, 2016	December 31, 2015
Assets		
Current		
Cash	$ **11,025**	$ 168,451
Receivables (note 6)	**37,554**	21,120
Prepaid expenses	**68,105**	4,888
	116,684	194,459
Advances to North Road Ventures Ltd. (note 7)	**-**	107,500
Property and Equipment (note 8)	**1,101**	1,542
Exploration and Evaluation Assets (note 9)	**1**	1
	$ **117,786**	$ 303,502
Liabilities		
Current		
Accounts payable and accrued liabilities (note 11)	$ **201,967**	$ 104,210
	201,967	104,210
Shareholders' Equity (Deficiency)		
Share Capital (note 10)	**14,724,916**	14,649,516
Reserves (note 10)	**4,437,394**	4,318,849
Deficit	**(19,246,491)**	(18,769,073)
	(84,181)	199,292
	$ **117,786**	$ 303,502

Going Concern (note 2)

Approved on behalf of the Board:

"Keith Anderson" ……………………………… Director
Keith Anderson

"William Rascan" ……………………………… Director
William Rascan

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

Liberty Leaf Holdings Ltd.
(formerly Weststar Resources Corp.)
Condensed Interim Statements of Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	**Nine Months Ended September 30, 2016**	Nine Months Ended September 30, 2015
Expenses				
Accounting, legal and audit (note 11)	$ **1,500**	$ 2,288	$ **8,004**	$ 7,100
Amortization	**147**	160	**441**	480
Consulting fees (note 11)	**111,536**	118,497	**213,502**	304,497
Management fees (note 11)	**68,404**	31,500	**94,500**	94,500
Office and general (recovery)	**(366)**	1,737	**9,475**	7,267
Rent	**6,250**	2,250	**10,750**	5,250
Share-based payments	**-**	-	**5,445**	1,410
Shareholder communications and investor relations	**3,500**	21,625	**12,792**	22,186
Transfer agent and filing fees	**3,080**	2,376	**15,009**	22,607
	194,051	180,433	**369,918**	465,297
Realized gain on available-for-sale investments (note 12)	**-**	(9,535)	**-**	(15,395)
Forgiveness of Advances to North Road Ventures (note 7)	**-**	-	**107,500**	-
Net Loss for the Period	**194,051**	170,898	**477,418**	449,902
Items that may be reclassified subsequently to profit or loss				
Unrealized loss (gain) on available-for-sale investments (note 12)	**-**	(3,700)	**-**	27,050
Comprehensive Loss for the Period	$ **194,051**	$ 167,198	$ **477,418**	$ 476,952
Basic and Diluted Loss Per Share	**0.00**	$ 0.01	$ **0.01**	$ 0.01
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	**51,326,986**	32,579,49 0	**50,028,891**	32,579,490

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

Liberty Leaf Holdings Ltd.
(formerly Weststar Resources Corp.)
Condensed Interim Statements of Changes in Equity
(Unaudited - Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share Subscriptions Received	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2014	**30,916,990**	**$ 14,278,181**	**$ -**	**$ 3,901,439**	**$ 27,050**	**$ (18,079,919)**	**$ 126,751**
Private placement	6,460,000	161,500	-	161,500	-	-	323,000
Share issue costs	-	(13,092)	-	-	-	-	(13,092)
Share subscriptions received	-	-	23,000	-	-	-	23,000
Share options granted	-	-	-	1,410	-	-	1,410
Comprehensive loss for the period	-	-	-	-	(27,050)	(449,902)	(476,952)
Balance, September 30, 2015	**37,376,990**	**$ 14,426,589**	**$ 23,000**	**$ 4,064,349**	**$ -**	**$ (18,529,821)**	**$ (15,883)**

	Number of Shares	Share Capital	Share Subscriptions Received	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2015	**47,556,990**	**$ 14,649,516**	**$ -**	**$ 4,318,849**	**$ -**	**$ (18,769,073)**	**$ 199,292**
Private placement	3,770,000	188,500	-	-	-	-	188,500
Residual value of warrants issued	-	(113,100)	-	113,100	-	-	-
Share options granted	-	-	-	5,445	-	-	5,445
Comprehensive loss for the period	-	-	-	-	-	(477,418)	(477,418)
Balance, September 30, 2016	**51,326,990**	**$ 14,724,916**	**$ -**	**$ 4,437,394**	**$ -**	**$ (19,246,491)**	**$ (84,181)**

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

Liberty Leaf Holdings Ltd.
(formerly Weststar Resources Corp.)
Condensed Interim Statements of Cash Flows
For the Nine Months Ended September 30,
(Unaudited - Expressed in Canadian Dollars)

		2016		2015
Operating Activities				
Net loss for the period	$	**(477,418)**	$	(449,902)
Items not involving cash				
Amortization		**441**		480
Share-based payments		**5,445**		1,410
Forgiveness of Advances to North Road Ventures		**107,500**		-
Realized gain on available-for-sale investments		**-**		(15,395)
Changes in non-cash working capital				
Receivables		**(16,434)**		6,782
Prepaid expenses		**(63,217)**		42,250
Accounts payable and accrued liabilities		**97,757**		19,503
Cash Used in Operating Activities		**(345,926)**		(394,872)
Investing Activities				
Proceeds from investments		**-**		49,095
Advances to North Road Ventures Inc.		**-**		(107,500)
Acquisition of equipment		**-**		(856)
Cash Used in Investing Activities		**-**		(59,261)
Financing Activities				
Shares issued for cash, net of issue costs		**188,500**		309,908
Share subscriptions received		**-**		80,000
Cash Provided by Financing Activities		**188,500**		389,908
Outflow of Cash		**(157,426)**		(64,225)
Cash, Beginning of Period		**168,451**		90,004
Cash, End of Period	$	**11,025**	$	25,779

SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		2016		2015
Income tax paid	$	-	$	-
Interest paid	$	-	$	-

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

1. NATURE OF OPERATIONS

Liberty Leaf Holdings Ltd. (the "Company") is a Vancouver, British Columbia, based company incorporated under the name Weststar Resources Corp. on October 27, 2004 in the province of British Columbia. During the year ended December 31, 2006, the Company completed its initial public offering on the TSX Venture Exchange ("TSX-V"), and the Company's shares were listed for trading on September 22, 2006. On February 10, 2015, the Company de-listed from the TSX Venture Exchange and began trading on the Canadian Securities Exchange (the "Exchange") under the symbol "WER".

The Company was a mineral exploration company until October 21, 2016, when the Company changed its name, completed a transition to the cannabis business, and began trading under the symbol "LIB".

The principal address of the Company is located at 1656 Scarborough Crescent, Port Coquitlam, British Columbia, Canada, V3C 2R1.

2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several adverse conditions cast significant doubt on the validity of this assumption. The Company incurred an operating loss during the nine months ended September 30, 2016 of $477,418 (2015 - $449,902) and has a deficit of $19,246,491 (December 31, 2015 - $18,769,073), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. The Company is in the exploration stage, and accordingly, has not yet commenced revenue-producing operations.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these financial statements then adjustments may be necessary in the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used. Such adjustments could be material.

3. BASIS OF PREPARATION

a) Statement of compliance

The condensed interim financial statements of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting.

The condensed interim financial statements of the Company should be read in conjunction with the Company's 2015 annual financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

3. BASIS OF PRESENTATION (Continued)

b) Basis of measurement

These financial statements have been prepared under the historical cost basis, except for financial instruments classified as available-for-sale (“AFS”) and fair value through profit or loss (“FVTPL”). These financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

c) Approval of the condensed interim financial statements

These condensed interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 28, 2016.

d) Use of estimates and judgments

The preparation of these condensed interim financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

The key areas of judgment applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities is as follows:

- *The carrying value of the exploration and evaluation assets and the recoverability of the carrying value*
  Assets or cash-generating units (“CGUs”) are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company’s resource properties.

  Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit, including geologic and metallurgic information, economics assessment/ studies, accessible facilities and existing permits.

- *Going Concern*
  The assessment of the Company’s ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenses, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

The key estimates applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- The recoverability of deferred tax assets;
- Provision for reclamation costs, among others; and
- Assumptions used to calculate share-based payments.

Actual results could differ from those estimates. Key judgments and estimates made by management with respect to those areas noted previously have been disclosed in the notes to the financial statements, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these condensed interim financial statements are consistent with policies disclosed in Note 4 of the financial statements for the year ended December 31, 2015. These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2015.

5. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as financial assets at FVTPL; advances as loans and receivables; and accounts payable and accrued liabilities, as other financial liabilities, which are measured at amortized cost. The carrying value of these instruments approximates their fair values due to their short term to maturity.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing at major Canadian financial institutions. The Company has minimal credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of September 30, 2016 equal $201,967 (December 31, 2015 - $104,210). All of the liabilities presented as accounts payable are due within 90 days of September 30, 2016.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

As at September 30, 2016 the Company is not exposed to significant market risk.

5. FINANCIAL INSTRUMENTS (Continued)

d) Capital management

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the nine months ended September 30, 2016. The Company is not subject to external restrictions on its capital.

6. RECEIVABLES

Receivables at September 30, 2016 consisted of GST recoverable of $37,554 (December 31, 2015 - $21,120).

7. ADVANCES TO NORTH ROAD VENTURES LTD.

On July 21, 2015, the Company signed a letter of intent to purchase shares of North Road Ventures Inc. ("North Road"), a private British Columbia company, representing up to a 50% interest in North Road. North Road is in the process of submitting a Health Canada application for a license issued under the Medicinal Marihuana for Medical Purposes Regulations ("MMPR").

During the year ended December 31, 2015, the Company advanced $107,500 to North Road in order to further the MMPR license application. The amount advanced was without interest. If North Road submitted a MMPR license application by June 30, 2016, based on the MMPR rules in place when the letter of intent with North Road was signed on July 21, 2015, the amount advanced would be forgiven. If the MMPR license application was not submitted by June 30, 2016, then the amount advanced would be repaid to the Company by July 20, 2016. All expenses directly or indirectly incurred by North Road in relation to preparing the MMPR license application would be forgiven.

During the nine months ended September 30, 2016, the MMPR application was submitted by North Road and the Company forgave repayment of the advance. See Note 14 for details on acquisition of North Road.

(Unaudited - Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT

	Computer Equipment	Office Equipment	Total
Cost			
Balance, December 31, 2014	$ 2,724	$ 2,032	$ 4,756
Addition	856	-	856
Balance, December 31, 2015 and September 30, 2016	$ 3,580	$ 2,032	$ 5,612
Amortization			
Balance, December 31, 2014	$ 2,324	$ 1,105	$ 3,429
Amortization	456	185	641
Balance, December 31, 2015	2,780	1,290	4,070
Amortization	330	111	441
Balance, September 30, 2016	$ 3,110	$ 1,401	$ 4,511
Net Book Value, December 31, 2015	$ 800	$ 742	$ 1,542
Net Book Value, September 30, 2016	$ 470	$ 631	$ 1,101

9. EXPLORATION AND EVALUATION ASSETS

	Axe Property
Balance, December 31, 2014, December 31, 2015 and September 30, 2016	**$ 1**

Axe Property

Pursuant to an option agreement dated July 19, 2005, the Company acquired a 70% interest (originally 66%, but amended by mutual consent) in the Axe claims situated in the Similkameen Mining District, British Columbia. As consideration for the property, the Company paid $5,000, issued 150,000 common shares at a fair value of $243,500 and incurred exploration costs of $500,000.

Pursuant to an agreement dated March 23, 2007, the Company acquired four additional claims. As consideration for the claims, the Company paid $15,000. The claims are subject to a 2% net smelter royalty ("NSR"), and under the terms of the agreement the Company has the right to purchase the NSR in stages for up to $3,000,000.

On August 23, 2013, the Company and Bearclaw Capital Corp. ("Bearclaw"), the holder of the remaining 30% participating interest in the Axe property, entered into a Letter of Intent ("LOI") to enter into an option agreement with Copper Mountain Mining Corp. ("Copper Mountain"). The option agreement was completed with an effective date of February 12, 2014. Under the terms of the option agreement, the Company and Bearclaw agreed to grant Copper Mountain an option to earn a 75% undivided interest in and to the Axe Property.

9. EXPLORATION AND EVALUATION ASSETS (Continued)

Axe Property (continued)

Copper Mountain could earn a 51% interest in the Axe Property by incurring $3,000,000 of expenditures in exploration activities on the Axe Property during a five-year period, with a minimum of $100,000 per year. Copper Mountain was to pay to the Company and Bearclaw (collectively, in proportion to their participating interests in the Axe Property, which are 70% for the Company and 30% for Bearclaw):

- $5,000 upon signing the LOI (received);
- $20,000 upon completion of the agreement (received);
- $30,000 on February 12, 2015;
- $50,000 on February 12, 2016;
- $100,000 on February 12, 2017;
- $150,000 on February 12, 2018; and
- $200,000 on February 12, 2019.

If Copper Mountain exercised the option, the Company, Bearclaw and Copper Mountain would enter into a formal joint venture agreement. Copper Mountain would be the initial operator holding a 51% participating interest, and the Company and Bearclaw, a 34.3% and 14.7% participating interest, respectively.

Upon exercise of the option, Copper Mountain would have the option to acquire an additional 24% undivided interest in the Axe Property (increasing its interest to 75%, absent other adjustments) by incurring an additional $6,000,000 in expenditures on the Axe Property in two stages of $3,000,000 per stage. In the event Copper Mountain exercised the second option and acquires an undivided 75% interest in the Axe Property, the Company and Bearclaw would have a 17.5% and 7.5% participating interest, respectively.

The $30,000 payment was not received and the Company determined that Copper Mountain was in default of the agreement. The Company does not plan to further develop the Axe Property without a joint venture partner. Accordingly, the property was deemed to be impaired at December 31, 2014 and written down to $1.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and the expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

Title to exploration and evaluation interests

Although the Company has taken steps to verify the title to mineral property interests in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

(Unaudited - Expressed in Canadian Dollars)

10. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value

Issued share capital

During the nine months ended September 30, 2016

On April 4, 2016, the Company issued 3,770,000 units at a price of $0.05 per unit for gross proceeds of $188,500. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share of the Company for a period of two years from issuance at an exercise price of $0.075. The Company allocated $75,400 of the proceeds to the common shares and $113,100 of the proceeds to the warrants based on the residual value method.

During the year ended December 31, 2015

On July 22, 2015, the Company closed a non-brokered private placement and issued 6,460,000 units at a price of $0.05 per unit for gross proceeds of $323,000. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share of the Company for a period of two years from issuance at an exercise price of $0.075. The Company allocated $161,500 of the proceeds to the common shares and $161,500 of the proceeds to the warrants based on the residual value method. The Company paid finder's fees of $12,100 and other share issue costs of $992.

On October 26, 2015, the Company closed a non-brokered private placement and issued 10,180,000 units at a price of $0.05 per unit for gross proceeds of $509,000. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share of the Company for a period of two years from issuance at an exercise price of $0.075. The Company allocated $254,500 of the proceeds to the common shares and $254,500 of the proceeds to the warrants based on the residual value method. The Company paid finder's fees of $30,800 and other share issue costs of $773.

Share subscriptions receivable of $57,000 outstanding at December 31, 2014 were collected.

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	September 30, 2016		December 31, 2015	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	27,720,000	$ 0.075	12,135,250	$ 0.09
Issued	3,770,000	$ 0.075	16,640,000	$ 0.075
Expired	-	-	(1,055,250)	$ 0.20
Outstanding, end of period	31,490,000	$ 0.075	27,720,000	$ 0.075

(Unaudited - Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

Warrants (continued)

The following warrants were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**September 30, 2016**	**December 31, 2015**
December 16, 2016	0.21	$ 0.075	2,940,000	2,940,000
July 27, 2017	0.82	$ 0.075	6,460,000	6,460,000
October 26, 2017	1.07	$ 0.075	10,180,000	10,180,000
April 4, 2018	1.51	$ 0.075	3,770,000	-
September 16, 2018	1.96	$ 0.075	8,140,000	8,140,000
	1.22	$ 0.075	31,490,000	27,720,000

During the nine months ended September 30, 2016, the Company extended the expiry date of 8,140,000 share purchase warrants from September 16, 2016 to September 16, 2018.

Share options

The Company has adopted a share option plan pursuant to which the Board of Directors of the Company may, from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the time of grant and the options are exercisable for a period not to exceed 10 years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised within 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, employment or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

Options granted to directors, employees and consultants vest immediately. Options granted to consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period.

Share option transactions and the number of share options outstanding are summarized as follows:

(Unaudited - Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

Share options (continued)

	September 30, 2016		December 31, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	2,112,500	$ 0.06	2,012,500	$ 0.06
Granted	300,000	$ 0.05	100,000	$ 0.05
Expired	(1,507,500)	$ 0.05	-	-
Outstanding, end of year	905,000	$ 0.08	2,112,500	$ 0.06

During the nine months ended September 30, 2016

During the nine months ended September 30, 2016, the Company granted 300,000 share options to consultants with an expiry date of one year from the date of grant and exercise price of $0.05 per share. The options granted are fully vested and exercisable upon grant.

The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its share options granted with the following weighted-average assumptions: risk-free interest rate of 0.46%; expected dividend yield of zero; expected share price volatility of 376%; and expected life of 1 year. The Company used historical volatility to estimate the volatility of the share price. The weighted average grant date fair value of each option was $0.02. Accordingly, $5,445 was recognized as share-based payment expense during the nine months ended September 30, 2016.

During the year ended December 31, 2015

During the year ended December 31, 2015, the Company granted 100,000 share options to a consultant with an expiry date of one year from the date of grant and exercise price of $0.05 per share. The options granted are fully vested and exercisable upon grant.

The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its share options granted with the following weighted-average assumptions: risk-free interest rate of 0.57%; expected dividend yield of zero; expected share price volatility of 260%; and expected life of 1 year. The Company used historical volatility to estimate the volatility of the share price. The weighted average grant date fair value of each option was $0.014. Accordingly, $1,410 was recognized as share-based payment expense during the year ended December 31, 2015.

(Unaudited - Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

Share options (continued)

The following share options were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**September 30, 2016**	**December 31, 2015**
March 11, 2016	-	$ 0.05	-	100,000
April 7, 2016	-	$ 0.10	-	57,500
June 13, 2016	-	$ 0.055	-	150,000
July 2, 2016	-	$ 0.05	-	750,000
July 4, 2016	-	$ 0.055	-	50,000
August 22, 2016	-	$ 0.05	-	300,000
September 5, 2016	-	$ 0.05	-	100,000
February 16, 2017	0.38	$ 0.05	300,000	-
July 9, 2017	0.77	$ 0.10	315,000	315,000
November 25, 2017	1.15	$ 0.07	140,000	140,000
April 7, 2019	2.52	$ 0.10	150,000	150,000
	0.99	$ 0.06	905,000	2,112,500

11. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the condensed interim statements of comprehensive loss for the nine months ended September 30:

	2016	**2015**
Short-term compensation	$ 108,500	$ 99,500

The amounts charged to the Company for the services provided have been determined by negotiation among the parties, and in certain cases, by signed agreements. These transactions were in the normal course of operations.

Of the $108,500 recorded as short-term compensation for the nine months ended September 30, 2016 (2015 - $99,500), $94,500 was recorded as management fees (2015 - $94,500,000), $4,500 was recorded as accounting, legal and audit fees (2015 - $5,000) and $9,500 (2015 - $nil) was recorded as shareholder communications and investor relations.

As at September 30, 2016, accounts payable and accrued liabilities included $89,524 (December 31, 2015 - $24,132) due to officers and directors of the Company. The amounts due are non-interest-bearing, unsecured and without stated terms of repayment.

12. INVESTMENT

Canada Coal Inc. ("CCK")

The Company received 500,000 common shares of CCK pursuant to the disposition of exploration and evaluation assets during the year ended December 31, 2010. The 500,000 common shares are subject to escrow and are released on a staged basis, with 10% released on February 29, 2012, and 15% to be released every six months thereafter for a period of 36 months.

During the nine months ended September 30, 2015, the Company sold 75,000 common shares of CCK for proceeds of $1,400.

13. SEGMENTED DISCLOSURE

For the nine months ended September 30, 2016, the Company operated in one industry segment, being mineral exploration, and in one geographic area, being Canada.

As of October 21, 2016, the Company operates in the cannabis industry segment.

14. AGREEMENT WITH NORTH ROAD VENTURES

On April 28, 2016 (and as amended July 4, 2016 and September 9, 2016), the Company entered into agreement to acquire a 100% interest in North Road by making payments as follows:

- Issuance of 12,000,000 common shares of the Company upon approval of the transaction by the Exchange;
- Payment of $150,000 cash, or an equivalent dollar value of common shares of the Company, within 90 days of North Road completing the “Security Clearance” phase pursuant to and as defined in the MMPR application;
- Payment of $350,000 cash, or an equivalent dollar value of common shares of the Company, within 90 days of North Road completing the “Pre-License Inspection” phase pursuant to and as defined in the MMPR application; and
- Payment of $1,000,000 cash within 90 days of North Road receiving approval of the MMPR License.

The definitive agreement constitutes a change of business and is subject to approval by the Exchange. Subsequent to September 30, 2016, the Company received approval (note 15(b)).

15. SUBSEQUENT EVENTS

a) On October 19, 2016, the Company issued 5,290,228 units at a price of $0.07 per unit for gross proceeds of $370,316. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share of the Company for a period of two years from issuance at an exercise price of $0.10. In the event that the closing price of the Company's common shares is at or above $0.20 per share for ten consecutive days, the Company may provide notice to the warrant holders that the expiry date of the warrants has been accelerated and that warrants not exercised within 30 days will expire. The Company paid finder's fees of $17,413 in relation to the private placement.

b) On October 19, 2016, the Company issued 12,000,000 common shares of the Company as part of the acquisition of North Road (note 15). The Company also issued 1,200,000 common shares as a finder's fee on the acquisition. As of October 19, 2016, North Road is a wholly-owned subsidiary of the Company.

c) On October 26, 2016, the Company granted 3,200,000 stock options to officers, directors and consultants. The options are exercisable at $0.15 per share for a period of two years. Options granted to officers and directors are subject to a four month and one day hold period.

d) On October 27, 2016, the Company issued 357,391 common shares in order to settle accounts payable of $41,100.

e) On November 28, 2016, the Company granted 100,000 stock options to a consultant. The options are exercisable at $0.20 per share for a period of two years.

f) Subsequent to September 30, 2016, the Company issued 7,195,000 common shares of the Company for gross proceeds of $539,625 on the exercise of 7,195,000 share purchase warrants. The Company also issued 275,000 common shares of the Company for gross proceeds of $23,750 on the exercise of 275,000 stock options.