Liberty Leaf Holdings Ltd.

Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2018

(Unaudited - Expressed in Canadian Dollars)

Liberty Leaf Holdings Ltd.

Three Months Ended March 31, 2018

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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 condensed consolidated 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 condensed consolidated interim 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.

May 30, 2018

Liberty Leaf Holdings Ltd.

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

	March 31, 2018	December 31, 2017
Assets		
Current		
Cash	$ 1,547,049	$ 1,211,065
Short Term Investments	1,520,555	-
GST receivable	61,634	53,450
Prepaid expenses	45,510	122,618
	3,174,748	1,387,133
Property and Equipment (note 6)	11,820	7,754
Investment in associate (note 8)	4,500,000	1,830,000
	$ 7,686,568	$ 3,224,887
Liabilities		
Current		
Accounts payable and accrued liabilities (note 10)	$ 134,232	$ 159,165
Obligation to issue shares (note XX)	46,879	-
	181,111	159,165
Shareholders' Equity		
Share Capital (note 12)	26,237,747	21,070,550
Reserves (note 12)	6,051,330	4,704,354
Share subscriptions	-	1,100
Deficit	(24,783,620)	(22,710,282)
	7,505,457	3,065,722
	$ 7,686,568	$ 3,224,887

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

Approved on behalf of the Board:

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

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

Liberty Leaf Holdings Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss
For the Three Months Ended March 31
(Unaudited - Expressed in Canadian Dollars)

	2018	2017
Expenses		
Accounting, legal and audit (note 10)	$ 40,380	$ 5,149
Amortization (note 6)	1,280	80
Consulting fees	295,475	102,500
Management fees (note 10)	43,500	31,500
Office and general	53,395	3,382
Rent	63,620	36,599
Share-based payments (note 11)	1,501,815	48,154
Shareholder communications and investor relations (note 10)	76,557	7,813
Transfer agent and filing fees	17,871	31,005
	2,093,893	266,182
Gain on short term investments	20,555	-
Net Loss and Comprehensive Loss for the Year	$ 2,073,338	$ 266,182
Basic and Diluted Loss Per Share	$ 0.02	$ 0.00
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	108,184,554	83,134,212

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

Liberty Leaf Holdings Ltd.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the Three Months ended March 31, 2018
(Unaudited - Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Reserves	Share Subscriptions	Deficit	Total
Balance, December 31, 2016	**79,290,605**	**16,590,106**	**4,907,677**	**-**	**(20,844,339)**	**653,444**
Shares issued on the exercise of options and warrants	6,058,000	455,400	-	-	-	455,400
Fair value of options and warrants exercised	-	130,049	(130,049)	-	-	-
Share options granted	-	-	48,154	-	-	48,154
Net loss for the period	-	-	-	-	(266,182)	(266,182)
Balance, March 31, 2017	**79,290,605**	**16,590,106**	**4,907,677**	**-**	**(20,844,339)**	**653,444**
Private placements	2,270,000	283,750	-	-	-	283,750
Share issue costs	-	(29,261)	11,136	-	-	(18,125)
Residual value of warrants issued	-	(34,050)	34,050	-	-	-
Shares issued for investment in associate	4,000,000	1,680,000	-	-	-	1,680,000
Shares issued on the exercise of options and warrants	14,927,942	1,497,439	-	-	-	1,497,439
Fair value of options and warrants exercised	-	497,117	(497,117)	-	-	-
Share options granted	-	-	330,503	-	-	330,503
Share subscriptions received	-	-	-	1,100	-	1,100
Net loss for the period	-	-	-	-	(1,599,761)	(1,599,761)
Balance, December 31, 2017	**106,546,547**	**$ 21,070,550**	**$ 4,704,354**	**$ 1,100**	**$ (22,710,282)**	**$ 3,065,722**
Private placements	5,259,485	2,000,000	-	-	-	2,000,000
Share issue costs	-	(206,250)	-	-	-	(206,250)
Shares issued for investment in associate	3,000,000	2,670,000	-	-	-	2,670,000
Shares issued on the exercise of warrants	4,454,714	448,171	-	-	-	448,171
Fair value of warrants exercised	-	98,321	(98,321)	-	-	-
Shares issued on the exercise of share options	665,725	100,437	-	(1,100)	-	99,337
Fair value of share options exercised	-	56,518	(56,518)	-	-	-
Share options granted	-	-	1,501,815	-	-	1,501,815
Net loss for the period	-	-	-	-	(2,073,338)	(2,073,338)
Balance, March 31, 2018	**119,926,471**	**26,237,747**	**6,051,330**	**-**	**(24,783,620)**	**7,505,457**

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

Liberty Leaf Holdings Ltd.

Condensed Consolidated Interim Statements of Cash Flows
For the Three Months Ended March 31
(Unaudited - Expressed in Canadian Dollars)

	2018	2017
Operating Activities		
Net loss for the period	$ (2,073,338)	$ (266,182)
Items not involving cash		
Amortization	1,280	80
Share-based payments	1,501,815	48,154
Gain on short term investments	(20,555)	-
Changes in non-cash working capital		
Receivables	(8,184)	5,689
Prepaid expenses	77,108	(40,147)
Obligation to issue shares	46,879	-
Accounts payable and accrued liabilities	(24,932)	32,907
Cash Used in Operating Activities	(499,927)	(219,499)
Investing Activities		
Investment in short term investments (note xx)	(1,500,000)	-
Investment in GR8	-	(66,050)
Purchase of equipment	(5,347)	-
Cash Provided by (Used in) Investing Activities	(1,505,347)	(66,050)
Financing Activities		
Shares issued for cash, net of issue costs	2,341,258	455,400
Cash Provided by Financing Activities	2,341,258	455,400
Inflow of Cash	289,105	169,851
Cash, Beginning of Period	1,211,065	654,340
Cash, End of Period	$ 1,547,049	$ 824,191

Supplemental Disclosure with Respect to Cash Flows (note 13)

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

1. NATURE OF OPERATIONS

Liberty Leaf Holdings Ltd. (the "Company") is a Vancouver, British Columbia, based company incorporated in the province of British Columbia. The Company is listed 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 become a licensed producer of medical marijuana as regulated by the Access to Cannabis for Medical Purposes Regulations ("ACMPR"), and began trading under the symbol "LIB". On October 19, 2016, the Company acquired 100% of the issued and outstanding shares of North Road Ventures Ltd. ("North Road") (note 7). On December 6, 2017, the Company signed an agreement to acquire shares of Just Kush Enterprises Ltd. ("Just Kush") (note 8).

The principal address of the Company is located at 700 – 838 West Hastings Street, Vancouver, British Columbia, Canada, V6C 0A6.

2. GOING CONCERN

These condensed consolidated interim 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 three months ended March 31, 2018 of $2,073,338 (2016 - $266,182) and has a deficit of $24,783,620 (December 31, 2017 - $22,710,282), 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 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 application process for an ACMPR license or enter into agreements with other cannabis-related businesses. Management is actively engaged in the review and due diligence on opportunities of merit in the cannabis 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 condensed consolidated interim 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

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

These condensed consolidated interim financial statements of the Company should be read in conjunction with the Company's 2017 annual consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB")

b) Basis of measurement

These condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

c) Principles of consolidation

The condensed consolidated interim financial statements of the Company consolidate the accounts of the Company and its wholly owned subsidiary, North Road, a British Columbia, Canada company. All intercompany transactions, balances and unrealized gains and losses are eliminated on consolidation.

d) Approval of the condensed consolidated interim financial statements

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on May 30, 2018.

e) Use of estimates and judgments

The preparation of these condensed consolidated 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 consolidated 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 consolidated 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 condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities is as follows:

- Control

  Management consolidates all subsidiaries and entities which it is determined that the Company controls. Control is evaluated on the ability of the Company to direct the activities of the subsidiary or entity to derive variable returns and management uses judgment in determining whether control exists. Judgment is exercised in the evaluation of the variable returns and in determining the extent to which the Company has the ability to exercise its power to generate variable returns.

- Acquisitions

  Management has to apply judgment relating to acquisitions of interests in another entity with respect to whether the acquisition is a business combination or an asset acquisition. Management applies a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of the acquisition in order to reach a conclusion.

- 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.

3. BASIS OF PRESENTATION (Continued)

- Significant influence

  Where the Company holds the largest shareholding in an investment and has the power to exercise significant influence through common officers and board members, such an investment is treated as an associate. The Company can exercise significant influence over Just Kush.

e) Use of estimates and judgments (Continued)

- Treatment of license costs

  License costs are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically and economically feasible, which management assesses based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any license costs as at March 31, 2018.

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

- The inputs used in assessing the recoverability of deferred tax assets;
- Assumptions used as inputs to calculate share-based payments; and
- Fair value of equity issuances for non-cash consideration.

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 condensed consolidated interim financial statements, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are consistent with policies disclosed in Note 4 of the consolidated financial statements for the year ended December 31, 2017. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

The Company has adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") and IFRS 9 Financial Instruments ("IFRS 9") effective January 1, 2018. These changes to the Company's significant accounting policies include:

The key requirements of IFRS 9 as they relate to the Company include the following:

Subsequent to initial measurement at fair value, all recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost in subsequent periods. For those financial assets that have a business model whose objective is achieved by both collecting the contractual cash flows and selling financial assets, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at fair value through profit and loss ("FVTPL") in subsequent accounting periods. In addition, on initial recognition, an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's FVTOCI, with only dividend income generally recognized in profit or loss. Transaction costs for financial assets held at FVTPL are expensed, for all other financial assets, they are recognized at fair value at initial measurement less any directly attributable transaction costs.

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the balance sheet subsequent to inception and how changes in value are recorded.

For the impairment of financial assets, IFRS 9 requires an 'expected credit loss' model applies which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The Company has adopted IFRS 9 on a retrospective basis without the restatement of the comparative period and none of the Company's classification of its financial instruments have changed significantly as a result of the adoption of IFRS 9. There are no transitional impacts regarding financial assets and financial liabilities in regards to classification and measurement. The short-term investments are financial assets carried at FVTPL and are initially recorded at fair value and transaction costs are expensed in profit or loss. Equity instruments that are held for trading are classified as FVTPL. Accounts payable and accrued liabilities are classified as other financial liabilities and carried on the balance sheet at amortized cost.

IFRS 15 Revenue from Contracts with Customers. The final standard on revenue from contracts with customers was issued on May 8, 2014 and is effective annual reporting periods beginning on or after January 1, 2018. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of goods to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods. The Company adopted this standard as of January 1, 2018 and it had no impact on the condensed consolidated interim financial statements as the Company does not have revenues from its operations.

5. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows:

- Cash is classified as financial asset at FVTPL;
- Short-term investments as financial assets carried at FVTPL and are initially recorded at fair value and transaction costs are expensed in profit or loss;
- Equity instruments that are held for trading are classified as FVTPL; and
- Accounts payable and accrued liabilities are classified as other financial liabilities and carried on the balance sheet at amortized cost.

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 cash with major Canadian financial institutions. The Company is therefore exposed to credit risk with respect to cash of $1,547,049 (December 31, 2017 - $1,211,965) and short-term investments of $1,520,555 (December 31, 2017 - $nil) as at March 31, 2018.

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 March 31, 2018 equal $181,111 (December 31, 2017 - $159,165). All of the liabilities presented as accounts payable are due within 90 days of March 31, 2018.

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 exposure within acceptable parameters, while optimizing the return on capital.

As at March 31, 2018, the Company is not exposed to significant market risk.

(Unaudited - Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

		Computer Equipment		Office Equipment		Total
Cost						
Balance, December 31, 2016	$	3,580	$	2,032	$	5,612
Additions		9,816		-		9,816
Balance, December 31, 2017	$	13,396	$	2,032	$	15,428
Additions		2,777		2,570		5,347
Balance, March 31, 2018	$	16,173	$	4,602	$	20,775
Accumulated Amortization						
Balance, December 31, 2016	$	3,220	$	1,438	$	4,658
Amortization		2,897		119		3,016
Balance, December 31, 2017		6,117		1,557		7,674
Amortization		1,192		88		1,280
Balance, March 31, 2018	$	7,309	$	1,645	$	8,955
Net Book Value, December 31, 2017	$	7,279	$	475	$	7,754
Net Book Value, December 31, 2017	$	8,864	$	2,956	$	11,820

7. ACQUISITION OF NORTH ROAD VENTURES LTD.

On April 28, 2016, as amended July 4, 2016 and September 9, 2016, the Company entered into an agreement to purchase all of the shares of North Road.

During the year ended December 31, 2015, the Company advanced $107,500 to North Road in order to further its ACMPR license application. The amount advanced was without interest. If North Road submitted a ACMPR license application by June 30, 2016, based on the ACMPR 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 ACMPR license application was not submitted by June 30, 2016, then the amount advanced would be repaid to the Company by July 20, 2016.

The ACMPR application was submitted by North Road and the Company forgave repayment of the advance.

On April 28, 2016, as amended July 4, 2016 and September 9, 2016, the Company entered into an agreement to purchase all of the shares of North Road. As consideration for the purchase, the Company issued 12,000,000 common shares to the shareholders of North Road upon approval of the transaction by the Exchange. The common shares were valued at $660,000 based on the market price of the shares at the date of issuance. In relation to this transaction, the Company paid a finder’s fee of 1,200,000 common shares, which were valued at $66,000.

(Unaudited - Expressed in Canadian Dollars)

7. ACQUISITION OF NORTH ROAD VENTURES LTD. (Continued)

Under the terms of the agreement, as the ACMPR license application progresses the Company will pay to the shareholders of North Road compensation for meeting certain milestones described in cash or the equivalent dollar value of common shares of the Company as follows: $150,000 upon North Road completing the "Security Clearance" phase; $350,000 upon North Road completing the "Pre-license Inspection" phase; and $1,000,000 upon North Road receiving an approved ACMPR license.

The closing of the definitive agreement constituted a change of business for the Company and was approved by the Exchange on October 19, 2016.

The acquisition of North Road did not meet the definition of a business in accordance with IFRS 3 *Business Combinations* and has been accounted for as an asset acquisition. The following is a summary of the acquisition:

Fair value of share consideration (12,000,000 shares at $0.055)	$	660,000
Fair value of finder's fee (1,200,000 shares at $0.055)		66,000
		726,000
Less: net assets acquired:		
Cash		6,285
Accounts payable		(5,020)
		1,265
	$	724,735

North Road's ACMPR license in progress did not meet the requirements to be recorded as an intangible asset. Accordingly, the Company accounted for the transaction as an issuance of shares for an in-progress ACMPR license application, which was expensed on acquisition.

8. INVESTMENT IN ASSOCIATE

On December 6, 2017, the Company signed an agreement to acquire shares of Just Kush Enterprises Ltd. ("Just Kush"), a private British Columbia company with an in process ACMPR license.

The capital of Just Kush consists of 100 Class A voting shares and 100 class B common shares. The Company acquired 45 Class A voting shares and 24 Class B common shares of Just Kush, representing approximately 34.5% equity interest in Just Kush.

As consideration, the Company paid $150,000 and issued 2,000,000 common shares of the Company upon execution of the agreement at a fair value of $840,000. In addition, the Company may acquire a further 36 Class B common shares pursuant to the milestones below. The Company issued a further 3,000,000 common shares at a fair value of $2,670,000 on January 15, 2018 to be held in escrow and to be released upon the following milestones:

i. Within two days of receipt of written notice from Just Kush indicating that Just Kush passed the Security Clearance pursuant to the ACMPR application, the Company shall issue 1,000,000 common shares of the Company to shareholders of Just Kush in exchange for 12 Class B shares.

(Unaudited - Expressed in Canadian Dollars)

8. INVESTMENT IN ASSOCIATE (Continued)

ii. Within two days of receipt of written notice from Just Kush indicating that Just Kush received its License to Produce pursuant to the ACMPR application, the Company shall issue 500,000 common shares of the Company to shareholders of Just Kush in exchange for 6 Class B shares.

iii. Within two days of receipt of written notice from Just Kush indicating that Just Kush completed its Introduction Inspection pursuant to the ACMPR application, the Company shall issue 500,000 common shares of the Company to shareholders of Just Kush in exchange for 6 Class B shares.

iv. Within two days of receipt of written notice from Just Kush indicating that Just Kush completed its Pre-Sales Inspection pursuant to the ACMPR application, the Company shall issue 500,000 common shares of the Company to shareholders of Just Kush in exchange for 6 Class B shares.

v. Within two days of receipt of written notice from Just Kush indicating that Just Kush received its License to Sell, pursuant to the ACMPR application, the Company shall pay $600,000 to the shareholders of Just Kush, and issue 500,000 common shares of the Company to shareholders of Just Kush. The $600,000 is payable in cash and/or issuance of shares of the Company (based on a 20-day VWAP at the option of Company), in exchange for 6 Class B shares of Just Kush.

The 2,000,000 common shares were valued at $840,000 based on the market price of the shares on the date of issuance. In relation to this transaction, the Company paid a finder's fee of 1,000,000 common shares, which were valued at $420,000 and compensation shares of 1,000,000 common shares, which were valued at $420,000.

The Company has determined it has significant influence over Just Kush and accounts for its investment using the equity method. The following is a summary of the investment account:

		2017
Shares issued	$	1,680,000
Cash consideration	$	150,000
Investment in associate	$	1,830,000

		2018
Shares issued (held in escrow)	$	2,670,000
Investment in associate	$	4,500,000

Summarized financial information for Just Kush is as follows:

		2017
Current assets	$	100
Non current assets	$	177,650
Current liabilities	$	177,984
Net loss	$	-

(Unaudited - Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS

		Axe Property
Balance, December 31, 2015	**$**	**1**
Sale of exploration and evaluation asset		(1)
Balance, December 31, 2016 and 2017	**$**	**-**

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.

On December 9, 2016, the Company sold its 70% interest in the Axe Property for $21,000 and recorded a gain on sale of exploration and evaluation assets of $20,999.

During the three months ended March 31, 2018, the Company recognized a gain on short-term investments of $19,667 to reflect the value of shares received from the sale of the Axe property.

(Unaudited - Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the condensed consolidated interim statements of comprehensive loss for the three months ended March 31, 2018 and 2017:

		2018		2017
Consulting fees	$	4,500	$	-
Management fees	$	43,500	$	31,500
Shareholder communications	$	17,000	$	7,500
Share-based payments	$	675,989	$	-

These transactions were in the normal course of operations (note 16).

As at March 31, 2018, accounts payable and accrued liabilities included $34,598 (December 31, 2017 - $38,264) due to officers and directors or companies controlled by officers and directors and former directors and officers. The amounts due are non-interest-bearing, unsecured and without stated terms of repayment.

11. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the three months ended March 31, 2018

On January 22, 2018, the Company closed a non-brokered private placement and issued 5,000,000 units at a price of $0.40 per unit for gross proceeds of $2,000,000. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable by the holder to acquire one additional common share for a period of two years from issuance at an exercise price of $0.60. The Company paid finder's fees of $206,250 and issued 259,485 finder's units. Each finder's unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable into one common share for a period of two years from issuance at a price of $0.60. The Company allocated all of the proceeds to the common shares and $nil to the warrants based on the residual value method.

During the three months ended March 31, 2018, the Company issued 4,454,714 common shares of the Company for gross proceeds of $448,171 on the exercise of 4,454,714 share purchase warrants. The Company transferred $98,321 from reserves to share capital in conjunction with the exercises. The Company also issued 665,725 common shares of the Company for gross proceeds of $100,437 on the exercise of 665,725 stock options. The Company transferred $56,518 from reserves to share capital in conjunction with the exercises.

On March 29, 2018, the Company agreed to issue 117,198 units at a deemed price of $0.40 per unit to settle $46,879 of debt due to an unrelated party. Each unit consists of one common share of the Company and one-half of one non-transferable share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.60 per share for a period of two years from the closing. As the shares were issued subsequent to March 31, 2018, the Company recognized a liability to issue shares of $46,879 as at March 31, 2018.

(Unaudited - Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

Issued share capital (continued)

During the year ended December 31, 2017

On May 24, 2017, the Company closed a non-brokered private placement and issued 2,270,000 units at a price of $0.125 per unit for gross proceeds of $283,750. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable by the holder to acquire one additional common share for a period of two years from issuance at an exercise price of $0.20. The Company allocated $249,700 of the proceeds to the common shares and $34,050 to the warrants based on the residual value method. The Company paid finder's fees of $18,125 and issued 145,000 finder's warrants. Each finder's warrant is exercisable into one common share for a period of two years from issuance at a price of $0.20. The fair value of the finder's warrants of $11,136 was estimated using the Black Scholes model.

On December 11, 2017, the Company issued 3,000,000 common shares (valued at $1,260,000) as part of the investment in Just Kush (note 8). The Company also issued 1,000,000 common shares (valued at $420,000) as a finder's fee pursuant to the agreement.

During the year ended December 31, 2017, the Company issued 18,475,942 common shares for gross proceeds of $1,610,939 on the exercise of 18,475,942 share purchase warrants. The Company transferred $365,571 from reserves to share capital in conjunction with the exercises. The Company also issued 2,510,000 common shares for gross proceeds of $341,900 on the exercise of 2,510,000 options. The Company transferred $261,595 from reserves to share capital in conjunction with the exercises.

Warrants

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

	March 31, 2018		**December 31, 2017**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	10,605,677	$ 0.10	28,466,619	$ 0.08
Issued	2,629,743	0.60	2,415,000	0.20
Exercised	(4,454,714)	0.10	(18,475,942)	0.09
Expired	-	-	(1,800,000)	0.08
Outstanding, end of year	8,780,706	$ 0.25	10,605,677	$ 0.10

(Unaudited - Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

Warrants (continued)

The following warrants are outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**March 31, 2018**	**December 31, 2017**
April 4, 2018	0.01	$ 0.075	-	2,400,000
September 16, 2018*	0.46	$ 0.075	3,750,000	4,050,000
October 19, 2018	0.55	$ 0.10	1,784,963	2,837,677
May 24, 2019	1.15	$ 0.20	616,000	1,318,000
January 22, 2020	1.81	$ 0.60	2,629,743	-
	0.93	$ 0.25	8,780,706	10,605,677

* During the year ended December 31, 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.

(Unaudited - Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

Share options (continued)

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:

	March 31, 2018		December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	5,090,000	$ 0.17	3,835,000	$ 0.14
Granted	3,075,000	0.71	4,000,000	0.17
Exercised	(665,725)	0.15	(2,510,000)	0.14
Expired	-	-	(235,000)	0.10
Outstanding, end of year	7,499,275	$ 0.39	5,090,000	$ 0.17

During the three months ended March 31, 2018

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 1.76%; expected dividend yield of zero; expected share price volatility of 151%; and expected life of 1.81 years. The Company used historical volatility to estimate the volatility of the share price. The weighted average grant date fair value of each option was $0.49. Accordingly, $1,501,815 was recognized as share-based payment expense during the three months ended March 31, 2018.

During the year ended December 31, 2017

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 1.18%; expected dividend yield of zero; expected share price volatility of 150%; and expected life of 1.54 years. The Company used historical volatility to estimate the volatility of the share price. The weighted average grant date fair value of each option was $0.095. Accordingly, $378,657 was recognized as share-based payment expense during the year ended December 31, 2017.

(Unaudited - Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

Share options (continued)

The following share options are outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**March 31, 2018**	**December 31, 2017**
February 3, 2018	-	$ 0.195	-	50,000
April 13, 2018	0.04	$ 0.16	200,000	200,000
July 20, 2018	0.30	$ 0.105	100,000	100,000
August 1, 2018	-	$ 0.11	-	100,000
August 10, 2018	0.36	$ 0.11	20,000	40,000
October 25, 2018	0.57	$ 0.12	4,275	100,000
October 26, 2018	0.57	$ 0.15	2,350,000	2,350,000
November 22, 2018	0.65	$ 0.215	125,000	250,000
November 25, 2018	-	$ 0.20	-	100,000
December 22, 2018	0.73	$ 0.49	350,000	350,000
January 31, 2019	0.84	$ 0.69	300,000	-
February 5, 2019	0.85	$ 0.52	100,000	-
March 2, 2019	0.92	$ 0.44	125,000	-
March 22, 2019	0.98	$ 0.49	50,000	-
May 15, 2019	-	$ 0.12	-	100,000
July 5, 2019	1.26	$ 0.10	750,000	750,000
August 1, 2019	1.34	$ 0.11	250,000	250,000
September 1, 2019	1.42	$ 0.095	25,000	100,000
November 24, 2019	1.65	$ 0.210	250,000	250,000
January 5, 2020	1.77	$ 0.74	2,500,000	-
	1.12	$ 0.39	7,499,275	5,090,000

12. TRANSACTION COSTS

On January 31, 2017, the Company entered into a letter of intent ("LOI") to acquire up to a 27.5% interest in GR8 Track, Inc. ("GR8"), a private company based in California, USA, licensed to produce cannabis for medical use.

Pursuant to the terms of the agreement, the Company paid a deposit of $50,000 USD within 7 business days from execution of the LOI. The definitive agreement was subject to a 60-day due diligence period and the Company completing a minimum financing of $500,000 CDN gross proceeds.

The due diligence period expired and management concluded it will not complete the execution of the LOI. Management has determined the Company will not recover the $50,000 USD deposit paid, which was impaired to $nil in accordance with level 3 of the fair value hierarchy during the year ended December 31, 2017.

(Unaudited - Expressed in Canadian Dollars)

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

		2018		2017
Accounts payable settled with share capital	$	46,879	$	-
Accounts payable acquired in asset acquisition transaction	$	-	$	-
Subscriptions received	$	-	$	1,100
Shares issued for investments in associate	$	2,670,000	$	1,680,000

14. SEGMENTED DISCLOSURE

The Company currently operates in one industry segment, being development of cannabis products, and in one geographic area, being Canada. Prior to October 19, 2016, the Company operated in the mining industry.

15. 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 three month ended March 31, 2018. The Company is not subject to external restrictions on its capital.

16. RESEARCH AND DEVELOPMENT

On March 1, 2017, the Company entered into an agreement for services to be provided by ESEV R&D LLC. ("ESEV"), a medical research company in Israel. Under the terms of the agreement, ESEV will organize and oversee medical studies to demonstrate the efficacy of formulas and products owned or licensed by Liberty for specific medical conditions in pets. The initial statement of work includes testing the efficacy of Cannabinoids (CBD) in canine osteoarthritis, which includes hip dysplasia, elbow dysplasia and stifle Degenerative Joint Disease (DJD). Costs incurred during the year ended December 31, 2017 were expensed as research and development costs.

On December 9, 2017, the Company entered into an agreement for services to be provided by BLOX Labs Inc. ("BLOX"), a blockchain technology company in Ontario. Under the terms of the agreement, BLOX will develop on behalf of the Company a blockchain based software application to track and monitor the sale and distribution of cannabis and marijuana products, from cultivator to end consumer. Costs incurred during the year ended December 31, 2017 were expensed as research and development costs.

17. COMMITMENTS

According to the terms of the agreement to purchase shares of Just Kush (note 8), the Company has agreed to pay all property taxes associated with the ACMPR application, all costs associated with furthering the ACMPR application process and upon commencement of the Buildout pursuant to the ACMPR application, a minimum of $2,500 per month in rent to Just Kush for a term not to exceed six months.

Pursuant to the terms of an agreement signed December 9, 2017 (note 17), the Company has agreed to purchase a minimum of $50,000 in shares of BLOX for investment purposes, when BLOX undertakes its next equity financing. As of the date of these consolidated financial statements, no such financing has been undertaken by BLOX.

18. SUBSEQUENT EVENTS

The following events occurred subsequent to March 31, 2018.

(a) On March 29, 2018, the Company agreed to issue 117,198 units at a deemed price of $0.40 per unit to settle $46,879 of debt due to an unrelated party. Each unit consists of one common share of the Company and one-half of one non-transferable share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.60 per share for a period of two years from the closing. These units were issued April 5, 2018.

(c) The Company received $12,875 on the exercise of 125,000 share options.

(d) The Company granted 100,000 share options to a consultant on May 23, 2018, with a term to expiry of one year and an exercise price of $0.30.