NEW AGE FARM INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2016

(Expressed in Canadian dollars)

Index

MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORTING

The accompanying unaudited condensed interim financial statements of New Age Farm Inc. [the "Company"] are the responsibility of the management and Board of Directors of the Company. The unaudited condensed consolidated interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the unaudited condensed consolidated interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced. The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Carman Parente
Director

Vancouver, BC
November 28, 2016

NOTICE TO READERS

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed consolidated interim financial statements for the nine months period ended September 30, 2016 have not been reviewed by the Company's auditors.

NEW AGE FARM INC.
Unaudited Condensed Interim Consolidated Statements of Financial Position
(expressed in Canadian dollars)

	September 30, 2016	December 31, 2015
Current		
Cash	**$ 10,242**	$ 100,047
Due from related parties (Note 6)	**25,000**	25,688
Investment (Note 3)	**-**	-
	35,242	125,735
Prepayments on facilities (Note 13)	**1,278,950**	1,089,127
Property, plant and equipment (Note 4)	**1,868,239**	1,893,225
Property under development (Note 5)	**-**	-
Total assets	**$ 3,182,431**	$ 3,108,087
Current		
Accounts payable	**$ 70,478**	$ 105,224
Accrued liabilities (Note 6)	**855,154**	719,677
Security deposit received	**7,000**	7,000
Due to related parties	**216,376**	-
Loans payable (Note 12)	**348,688**	201,875
Secured notes payable (Note 11)	**330,000**	318,274
Secured convertible debt (Note 11)	**497,737**	473,560
Current portion of seller note payable (Note 12)	**7,555**	7,508
Current portion of mortgage (Note 7)	**19,124**	18,525
Second mortgage (Note 7)	**-**	400,000
	2,352,112	2,251,643
Second mortgage	**700,000**	-
Long term loan payable (Note 12)	**-**	270,313
Long term portion of seller note payable (Note 12)	**88,342**	99,250
Long term portion of mortgage (Note 7)	**624,537**	638,820
Total liabilities	**3,764,991**	3,260,026
Shareholders' equity		
Equity portion of convertible debt (Note 11)	**58,258**	58,258
Shares capital (Note 8)	**5,824,613**	5,342,350
Shares subscribed	**-**	-
Contributed surplus	**1,609,008**	1,458,208
Deficit, per accompanying statement	**(8,074,439)**	(7,010,755)
Total shareholders' equity	**(582,560)**	(151,939)
Total liabilities and shareholders' equity	**$ 3,182,431**	$ 3,108,087

Nature and continuance of operations (Note 1) and **Subsequent events** (Note 14)

Approved on behalf of the Board on November 28, 2016:

"Carman Parente" ***"Anthony Chan"***

Director – Carman Parente Director – Anthony Chan

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

NEW AGE FARM INC.
Unaudited Condensed Interim Consolidated Statements of Operations and Comprehensive Operations
(expressed in Canadian dollars)

	Three Months Ended		Nine Months Ended	
	September 30, 2016	**September 30, 2015**	**September 30, 2016**	**September 30, 2015**
Revenue				
Rent	$ 21,000	$ 21,000	$ 63,000	$ 63,000
Interest	-	27	9	54
Total revenue	21,000	21,027	63,009	63,054
Expenses				
Accretion expenses on secured notes payable (Note 11)	-	22,658	35,903	65,445
Advertising & promotion	1,300	6,449	38,300	8,550
Amortization	9,289	6,140	24,986	18,419
Bank charges	281	1,394	664	1,737
Consulting (Note 6)	316,318	133,994	560,855	1,718,326
Directors' fees (Note 6)	18,000	18,000	54,000	54,000
Finance expense (Note 7 & Note 8)	-	-	-	150,000
Foreign exchange (gain)/loss	2,568	(2,589)	(9,259)	(86)
Insurance	7,420	4,719	14,611	14,158
Interest	29,618	22,239	87,266	56,598
Office and miscellaneous	11,994	9,172	21,493	25,750
Professional fees	2,486	73,647	26,558	145,110
Utility & property taxes	5,413	-	7,451	4,841
Telephone	-	-	-	-
Transfer agent, listing & filing fees	-	892	1,928	35,667
Travel	-	-	-	-
Shares based payments (Note 8)	10,000	-	297,000	1,283,500
	414,687	296,715	1,161,756	3,582,015
Other income (expense)				
Write off of investment (Note 3)	-	-	-	60
Write off of development costs (Note 5)	-	-	-	-
Gain on settlement of debts	-	-	(35,063)	-
Gain on extinguishment of notes payable (Note 11)	-	-	-	(2,341)
Total expenses	414,687	296,715	1,126,693	3,579,734
Loss and comprehensive loss for the period	$ (393,687)	$ (275,688)	$ (1,063,684)	$ (3,516,680)
Loss per share	$ (0.006)	$ (0.00)	$ (0.017)	$ (0.07)
Weighted average number of shares outstanding	66,434,650	60,307,237	63,805,217	52,433,008

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

NEW AGE FARM INC.
(formerly 0981624 B.C. Ltd.)
Consolidated Statements of Changes in Shareholders' Equity
(expressed in Canadian dollars)

	Number of Shares	Share Capital & subscribed	Contributed Surplus	Equity Portion Convertible Debt	Deficit	Shareholders' Equity
Balance, December 31, 2014	**38,947,091**	$ **2,030,150**	**$ 433,166**	**$ -**	**$ (2,370,562)**	**$ 92,754**
Shares issued for cash at $0.10 per share	4,600,000	460,000	-	-	-	460,000
Shares subscribed and issued	-	(110,000)	-	-	-	(110,000)
Stock options exercised at $0.08 per share	900,000	72,000	-	-	-	72,000
Fair value of options exercised	-	54,000	(54,000)	-	-	-
Stock options exercised at $0.05 per share	1,000,001	50,000	-	-	-	50,000
Fair value of options exercised	-	16,000	(16,000)	-	-	-
Subscription receivable	-	(57,760)	-	-	-	(57,760)
Shares based payments	-	-	1,283,500	-	-	1,283,500
Shares issued as finance expense	1,000,000	150,000	-	-	-	150,000
Shares issued for cash at $0.15 per share	1,666,667	250,000	-	-	-	250,000
Shares issued for services	5,500,000	1,100,000	-	-	-	1,100,000
Warrants exercised at $0.15 per share	1,100,000	165,000	-	-	-	165,000
Fair value of warrants transferred	-	102,300	(102,300)	-	-	-
Repurchase of secured debts and issuance of convertible debts	-	-	(58,258)	58,258	-	-
Shares issued to purchase equipment	200,000	30,000	-	-	-	30,000
Shares issued as finders fees	6,000,000	900,000	-	-	-	900,000
Loss for the period	-	-	-	-	(3,516,680)	(3,516,680)
Balance, September 30, 2015	**60,913,759**	**5,211,690**	**1,486,108**	**58,258**	**(5,887,242)**	**868,814**
Warrants exercised at $0.15 per share	300,000	45,000	-	-	-	45,000
Fair value of warrants transferred	-	27,900	(27,900)	-	-	-
Subscription receivable	-	57,760	-	-	-	57,760
Loss for the period	-	-	-	-	(1,123,513)	(1,123,513)
Balance, December 31, 2015	**61,213,759**	**5,342,350**	**1,458,208**	**58,258**	**(7,010,755)**	**(151,939)**
Warrants exercised at $0.15 per share	200,000	30,000	-	-	-	30,000
Fair value of warrants transferred	-	18,600	(18,600)	-	-	-
Stock options exercised at $0.05 per share	700,000	35,000	-	-	-	35,000
Fair value of options exercised	-	11,200	(11,200)	-	-	-
Shares issued for services	2,200,000	82,000	-	-	-	82,000
Shares issued in settlement of debts	1,602,500	45,063	-	-	-	45,063
Warrants exercised at $0.05 per share	2,880,000	144,000	-	-	-	144,000
Fair value of warrants transferred	-	116,400	(116,400)	-	-	-
Shares based payments	-	-	297,000	-	-	297,000
Loss for the period	-	-	-	-	(1,063,684)	(1,063,684)
Balance, September 30, 2016	**68,796,259**	**$ 5,824,613**	**$ 1,609,008**	**$ 58,258**	**$ (8,074,439)**	**$ (582,560)**

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

NEW AGE FARM INC.
Unaudited Condensed Interim Consolidated Statements of Cash Flows
(expressed in Canadian dollars)

		September 30, 2016		September 30, 2015
Cash flows from (used in)				
Operating activities				
Net loss for the period	$	(1,063,684)	$	(3,516,680)
Items not affecting cash:				
Accretion of interest		35,903		65,445
Amortization		24,986		18,419
Accrued interest		64,688		-
Consulting fees settled into shares		-		-
Gain on settlement of debts		(35,063)		-
Loss (gain) on extinguishment of notes payable		-		(2,341)
Finance expense		-		150,000
Shares issued for services		82,000		1,100,000
Write off of development costs		-		-
Write off of investment		-		60
Shares based payments		297,000		1,283,500
		(594,170)		(901,597)
Changes in non-cash working capital items:				
GST receivable		-		(6,550)
Prepaid expenses		-		(409,114)
Accounts payable and accrued liabilities		354,857		397,881
Net cash used in operating activities		(239,313)		(919,380)
Investing activities				
Deposit on real property		-		-
Investment in subsidiary		-		(60)
Loan receivable		-		(25,000)
Prepayments		(189,823)		-
Purchase of real property, net of deposit		-		(349,004)
Net cash used in investing activities		(189,823)		(374,064)
Financing activities				
Loans payable		(153,188)		327,500
Due from related parties		217,064		-
Seller note payable		(10,861)		-
Shares subscribed		-		-
Proceeds from issuance of common shares		-		829,240
Mortgages		286,316		386,595
Net cash received from financing activities		339,331		1,543,335
Increase in cash and cash equivalents during the period		(89,805)		249,891
Cash and cash equivalents, beginning of the period		100,047		86,952
Cash and cash equivalents, end of the period	$	10,242	$	336,843
Interest paid	$	42,890	$	56,598
Income tax paid	$	-	$	-
Non-cash Transactions:				
Issuance of shares to settle debts & secured debts	$	80,125	$	-
Issuance of secured convertible debt	$	-	$	497,737
Fair value of stock options exercised to extinguish debts	$	46,200	$	-
Fair value of warrants exercised to extinguish debts	$	327,600	$	-
Issuance of shares to secure second mortgage (finance expense)	$	-	$	150,000
Issuance of shares to purchase equipment	$	-	$	30,000
Issuance of shares as prepayments	$	-	$	900,000
Issuance of shares for services	$	82,000	$	1,100,000

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

1. NATURE AND CONTINUANCE OF OPERATIONS

New Age Farm Inc. (formerly 0981624 B.C. Ltd.) (the "Company") was incorporated on September 27, 2013 and, pursuant to a plan of arrangement (the "Arrangement") between the Company and Five Nines Ventures Ltd. ("Five Nines") dated October 7, 2013, it would acquire the letter of intent signed between Five Nines and NHS Industries Ltd. ("NHS LOI") and $5,000 in cash from Five Nines as part of the arrangement agreement (the "Arrangement Agreement"), and would commence its business as an agriculture based business in Langley, British Columbia. As consideration for this asset, the Company would issue 16,909,168 common shares, multiplied by the Conversion Factor, as defined in the Arrangement Agreement, which shares would be distributed to the Five Nines shareholders who hold Five Nines shares on the share distribution record date. Five Nines completed the Arrangement on April 1, 2014 and transferred $5,000 cash and assigned the NHS LOI to the Company on April 1, 2014. The Company initiated the share distribution in June of 2014 and issued 2,433,667 common shares to Five Nines, which were then re-distributed to the shareholders of Five Nines as of record date of December 31, 2013. The Company is currently listed for trading on Canadian Securities Exchange ("CSE") under the symbol "NF".

627073 B.C. Ltd. was incorporated on May 4, 2001 under the British Columbia Business Corporation Act and changed its name to "NHS Industries Ltd." (the "Company") on September 17, 2010. The Company's principal business is the provisions of a property rental service and a development of real estate property and facility.

The registered address, head office, principal address and records office of the Company are located at Suite 106 – 1641 Lonsdale Avenue, North Vancouver, British Columbia, Canada, V7M 2J5.

At September 30, 2016, the Company had working capital deficiency of $2,316,870 (2015 - $2,125,908), had not yet achieved profitable operations, has accumulated losses of $8,074,439 since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned business, meet its on-going levels of corporate overhead and discharge its liabilities as they come due. These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Although the Company presently has sufficient financial resources to undertake its currently planned business and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these unaudited condensed interim consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance, Consolidation and Basis of Presentation

These unaudited condensed interim consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, NHS Industries Ltd and New Age Farm Washington, LLC. All inter-company transactions and balances have been eliminated in the consolidated financial statement presentation. These unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in the below.

(b) Revenue recognition

Rental revenue includes rent from tenants and incidental income. Rental revenue is recognized when rents are due and interest income is recognized when earned.

(c) Foreign currency translation

The functional currency of the Company, as determined by management, is the Canadian dollar and this is also the currency in which it presents these financial statements. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the statement of operation and comprehensive operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(d) Financial instruments

The Company recognizes a financial asset or financial liability when it becomes a party to the instrument's contractual provisions. It initially measures financial assets and financial liabilities at their fair value, adding or deducting directly attributable transaction costs (except for transaction costs directly attributable to acquiring financial assets or financial liabilities at fair value through profit or loss, which it recognizes immediately in profit or loss).

The Company's financial instruments and their classifications, described further below, are as follows:

Financial assets:	Classification:
Cash	Fair value through profit or loss
Due from related parties	Loans and receivables

Financial liabilities:	Classification:
Accounts payable, accrued liabilities, due to related parties, secured notes payable, promissory note, secured convertible debt, seller note payable, loan payable and mortgages	Other financial liabilities

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(d) **Financial instruments** (continued)

Financial assets
The Company recognizes and derecognizes all financial assets on the trade date. It derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of its ownership to another entity. It classifies financial assets into the following specified categories: financial assets 'fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. It determines the classification at the time of initial recognition, depending on the nature and purpose of the financial assets. The Company does not currently have any financial assets in the held-to-maturity or available-for-sale categories.

The Company's accounting policy for the category of assets and liabilities presently recognized by the Company is as follows:

Fair value through profit or loss
This category comprises assets acquired or incurred for the purpose of selling or repurchasing it in the near future. The Company measures financial assets at FVTPL at fair value, recognizing any gains or losses arising from this measurement in the Statement of Loss and Comprehensive Loss.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Company measures loans and receivables at amortized cost using the effective interest method, less any impairment, except for short-term receivables for which recognizing interest would be immaterial. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the instrument's expected life (or, where appropriate, a shorter period) to the net carrying amount on initial recognition.

Financial liabilities
The Company classifies financial liabilities as either financial liabilities at FVTPL or other financial liabilities. The Company does not currently have any financial liabilities in the at FVTPL category.

Other financial liabilities
The Company initially measures other financial liabilities, consisting of accounts payable and amounts due to related parties, at their fair value, net of transaction costs, and subsequently at amortized cost using the effective interest method, recognizing interest expense on an effective yield basis.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets
The Company assesses financial assets, other than those at FVTPL, for indications of impairment at the end of each reporting period. For financial assets carried at amortized cost, the amount of any impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- The likelihood that the borrower will enter bankruptcy or financial re-organization.

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(d) **Financial instruments** (continued)

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

<u>Financial instruments recorded at fair value</u>

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

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(e) **Share based Compensation**

The Company operates an employee stock option plan. Share based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(f) **Property, plant and equipment**

The Company records property, plant and equipment at cost less accumulated amortization and accumulated impairment losses. It recognizes amortization to write off the cost of assets less their residual values over their useful lives, using the following methods and rates:

Building	-	15 years	straight line
Greenhouse	-	35 years	straight line
Furniture, fixtures and equipment	-	10-20%	declining balance
Motor vehicle and tractor	-	30%	declining balance

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

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

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(h) **Loss per share**

The Company calculates basic loss per share by dividing the loss for the year by the weighted average number of common shares outstanding during the year. It calculates diluted loss per share in a similar manner, except that it increases the weighted average number of common shares outstanding, using the treasury stock method, to include common shares potentially issuable from the assumed exercise of stock options and other instruments, if dilutive. In the Company's case, these potential issuances are "anti-dilutive" as they would decrease the loss per share; consequently, the amounts calculated for basic and diluted loss per share are the same.

(i) **Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(j) **Impairment of long-lived assets**

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether any indication exists that any of those assets have suffered an impairment loss. If any such indication exists, it estimates the asset's recoverable amount to determine the extent of the impairment loss (if any). Where it is not possible to estimate an individual asset's recoverable amount, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where it can identify a reasonable and consistent basis of allocation, it also allocates corporate assets to individual cash-generating units, or otherwise allocates them to the smallest group of cash-generating units for which it can identify a reasonable and consistent allocation basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Company discounts estimated future cash flows to their present value using a pre-tax discount rate. This rate reflects current market assessments of the time value of money and also reflects the risks specific to the asset (unless these risks are reflected in the estimates of future cash flows).

If the Company estimates an asset or cash-generating unit's recoverable amount to be less than its carrying amount, it reduces the carrying amount to the recoverable amount, recognizing an impairment loss immediately in profit or loss. Where an impairment loss subsequently reverses, the Company increases the asset or unit's carrying amount to the revised estimate of its recoverable amount, without exceeding the carrying amount that would have been existed if no impairment loss had been recognized in prior years. It recognizes a reversal of an impairment loss immediately in profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(k) **Significant accounting judgments and estimates**

The preparation of unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the amortization of plant, property and equipment, valuation of share-based payments and recognition of deferred income tax amounts.

Critical judgments and estimates exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company’s earnings and equity reserves.

(l) **Future accounting changes**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2015 or later periods. Updates that are not applicable or are not consequential to the Company have been excluded from the list below.

IFRS 9, Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2018. The Company is currently evaluating the potential impact of the adoption of IFRS 9.

(expressed in Canadian dollars)

3. INVESTMENT

During the year 2015, the Company invested in a 60% controlled subsidiary as investment purpose for $60. This subsidiary was dormant and the management determined that the investment was impaired and wrote off the investment to $Nil and charged it to the operations during 2015.

4. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2016			December 31, 2015
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Land	$ 900,000	$ -	$ 900,000	$ 900,000
Building	213,800	131,844	81,956	92,646
Sumas Property	360,466	-	360,466	360,466
Sumas Property - Facility	117,711	-	117,711	117,711
Oroville Property	154,308	-	154,308	154,308
Greenhouse	298,626	75,853	222,773	229,171
Furniture, fixture and equipment	21,423	14,884	6,539	7,259
Motor Vehicle & tractor	53,776	29,290	24,486	31,664
	$ 2,120,110	$ 251,871	$ 1,868,239	$ 1,893,225

The Company entered into an escrow on October 22, 2014 for the purchase of a land in Whatcom County, Washington State ("Sumas Property") for a total purchase price of US$289,000. The Company made a non-refundable US$10,000.00 payment into escrow on signing the agreement and successfully closed the purchase on March 3, 2015. The property is not yet ready for renting and is still in process of building a facility of which $117,711 was incurred as at September 30, 2016. The Company entered into a lease agreement with its first tenant on the property of which rental income will only be charged to the tenant after a facility is completely built to the tenant's specification and needs. The Company issued 3,000,000 common shares of the Company at a fair value of $0.15 per share for total value of $450,000 as prepayment with respect to this first tenant acquired (Note 8).

On October 30, 2015, the Company also acquired another property in Okanogan County, Washington State ("Oroville Property") for a total purchase price of US$118,000. The company paid US$40,000 towards the purchase price and the seller financed the balance with the Company issuing a note payable to the seller in the amount of US$78,000, at the rate of 8% per annum on the declining balance thereof for a period of 10 years to be due on October 30, 2025. Monthly payment of US$950 is required to be paid of which payments are applied first to interest and the principal until the maturity date when the balance of principal will be matured (Note 12).

The Company purchased a tractor motor vehicle by issuing 200,000 common shares at a fair value of $0.15 per share for total value of $30,000 during the year ended December 31, 2015 (Note 8).

5. PROPERTY UNDER DEVELOPMENT

Due to the uncertainty as to when the Company is able to raise sufficient funds to complete building a facility on its Langley farm, the Company determined that the incurred development cost is impaired and has written off the development cost to $Nil as at December 31, 2015. There is no change to the impairment evaluation as of September 30, 2016.

(expressed in Canadian dollars)

6. DUE TO/FROM RELATED PARTY AND RELATED PARTY TRANSACTIONS

The amounts of $688 (2015 - $688) due from a related party, a company owned by a director of the Company, are non-interest bearing, unsecured and without fixed terms of repayment.

The amounts of $215,688 (2015 - $Nil) is due to the Chief Executive Officer and a company controlled by him, a related party, are non-interest bearing, unsecured and without fixed terms of repayment.

During the period ended September 30, 2016, the Company advanced $Nil (2015: $25,000) as a loan to a company of which the Chief Executive Officer is one of shareholders of this company. This loan is non-interest bearing and has no fixed terms of repayment. As of September 30, 2016, this loan receivable balance remains at $25,000.

During the period ended September 30, 2016, the Chief Financial Officer of the Company exercised 700,000 options at the exercise price of $0.05 per share. The Company also issued 1,602,500 common shares at average fair value of $0.028 per share to settle debts owed to two current directors of the Company. 3,400,000 warrants were also granted to the three directors of the Company at an exercise price of $0.05 over 5 years (Note 8(c)).

During the current period ended September 30, 2016, $219,880 (2015: $302,000) of consulting fees have been incurred, paid and accrued for to the current and former officers and directors of the Company in relation to their services provided to the Company. As of September 30, 2016, total consulting fees of $828,500 (2015: $732,000) have been accrued for. A total of $18,000 directors' fees at $2,000 per month to each director were also incurred and accrued for the period ended September 30, 2016 and as of September 30, 2016, a total of $144,000 (2015 - $90,000) directors fees have been accrued for. And the amount of $197,220 is owed to the Company by a company owned by the CEO of the Company, which will be applied against the accrued consulting fees owed by the Company to the CEO. As of September 30, 2016, a net total of $775,280 after deducting the amount of $197,220 owed by a company owned by the CEO of the Company was included as accrued liabilities to these parties (Note 7).

7. MORTGAGE / SECOND MORTGAGE

The Company has negotiated a credit facility with the BlueShore Financial (the "BSF") for a commercial mortgage. The commercial mortgage bears interest at 4.25% per annum until October 1, 2017. The mortgage requires monthly blended payments of $3,842. Payments will be adjusted at a time of term renewal based on the fixed rate of interest in effect and the remaining amortization period. The mortgage is secured by a rental property of the Company and an assignment of rents.

		September 30, 2016		December 31, 2015
Balance, beginning of the period/year	$	657,345	$	675,339
Principal payments made during the period/year		(13,684)		(17,994)
Balance, end of the period/year		643,661		657,345
Amount payable within one year		(19,124)		(18,525)
	$	624,537	$	638,820

On February 26, 2015, the Company entered into a second mortgage on its property in Langley as security. The principal amount of the mortgage is $400,000 with a term of one year at 15% annual interest. As art of the mortgage agreement, the Company has assigned the rental income from the Langley property and issued to the lender 1,000,000 common shares of the Company at a fair value of $0.15 per share. The Company's CEO also agreed to provide a personal guarantee to the mortgage and the second mortgage previously held by him has been moved to third position behind the new second mortgage. The Company also accrued $150,000 fees to the CEO for providing a personal guarantee on the second mortgage. During the period ended September 30, 2016, the Company entered into a refinanced second mortgage agreement on its property in Langley, B.C., in the amount of $700,000 from a private lender. The principal amount of the mortgage is $700,000 and bears interest at the rate of 10 per cent per year with a term of five years. Proceed of the mortgage was used toward paying out the prior second mortgage of $400,000 and the balance will be used for general working capital purposes. The Company may prepay this refinanced second mortgage on payment of a three-month interest penalty. Total interest of $35,000 has been accrued for on this refinanced second mortgage as of September 30, 2016.

(expressed in Canadian dollars)

8. SHARE CAPITAL

(a)	Authorized: Unlimited common shares without par value Issued : 68,796,259 common shares (2015: 61,213,759 common shares)

In February 2015, 178,000 and 1,000,001 stock options were exercised at $0.08 per share and $0.05 per share for total proceeds of $14,240 and $50,000 respectively. Fair value of these options of $10,680 and $16,000 were also re-allocated respectively from contributed surplus to share capital (Note 6).

In March 2015, 200,000 stock options were exercised at $0.08 per share for a total proceed of $16,000. Fair value of these options of $12,000 was also re-allocated from contributed surplus to share capital.

In March 2015, the Company completed a non-brokered financing of $460,000 at a price of $0.10 per share and issued 4,600,000 common shares.

In March 2015, the Company issued 1,000,000 common shares at a fair value of $0.15 per share to the lender of the second mortgage as finance expense in order to secure this financing (Note 7).

In April 2015, the Company issued 200,000 common shares at a fair value of $0.15 per share for total value of $30,000 to purchase a tractor motor vehicle (Note 4).

In April 2015, the Company issued 6,000,000 common shares at a fair value of $0.15 per share for total value of $900,000 as prepayments to acquire two tenants (Note 4 and Note 13).

In April 2015, the Company issued 5,500,000 common shares at a fair value of $0.20 per share for total value of $1,100,000 for consulting services provided by external consultants.

During the year 2015, the Company issued 1,400,000 common shares as result of warrants exercised by an external consultant at fair value of $0.243 per share.

In June 2015, the Company issue 1,666,667 common shares for cash at $0.15 per share for total proceeds of $250,000. No finder’s fee was incurred or paid.

In September 2015, 522,000 stock options were exercised at $0.08 per share for a total proceed of $41,760. Fair value of these options of $31,320 was also re-allocated from contributed surplus to share capital.

In January & February of 2016, the Company issued 200,000 common shares as result of warrants exercised by an external consultant at fair value of $0.243 per share.

In April 2016, 700,000 stock options were exercised at $0.05 per share for a total proceed of $35,000. Fair value of these options of $11,200 was also re-allocated from contributed surplus to share capital. The Company also issued 500,000 common shares of the Company at a fair value of $0.04 per share for services to an outside consultant. In addition, the Company also issued 1,602,500 common shares at average fair value of $0.028 per share to settle debts owed to two current directors of the Company. Gain on settlement of these debts of $35,063 was recognized.

In May 2016, the Company issued 1,200,000 common shares at a fair value of $0.035 per share for total value of $42,000 for consulting services provided by an external consultant.

In September 2016, the Company issued 500,000 common shares at a fair value of $0.04 per share for total value of $20,000 for consulting services provided by an external consultant.

In September 2016, 2,880,000 warrants were exercised at $0.05 per share for a total proceed of $144,000 to extinguish debts. Fair value of these warrants of $116,400 was also re-allocated from contributed surplus to share capital.

(expressed in Canadian dollars)

8. **SHARE CAPITAL (continued)**

(b) Stock Options

The Company has adopted an incentive stock option plan (the "Option Plan") dated which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with stock exchanges requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Included in the Option Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. At the discretion of the Board of Directors of the Company, options granted under the Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

On March 18, 2015, the Company granted incentive stock options to a consultant of the Company to purchase up to an aggregate of 2,000,000 common shares in the capital stock of the Company. The options are exercisable at a price of $0.15 per share, and will expire on March 18, 2020. All options were fully vested at the date of grant. The fair value of these 2,000,000 stock options was determined to be $222,000 using the Black Scholes option pricing model using the assumptions at the time of grant of risk free interest rates of 0.58%, expected life of 5 years, expected volatility of 100%, forfeiture rate of 0% and a dividend rate of 0%.

On May 4, 2015, the Company granted incentive stock options to a consultant of the Company to purchase up to an aggregate of 250,000 common shares in the capital stock of the Company. The options are exercisable at a price of $0.20 per share, and will expire on May 4, 2020. All options were fully vested at the date of grant. The fair value of these 250,000 stock options was determined to be $37,000 using the Black Scholes option pricing model using the assumptions at the time of grant of risk free interest rates of 0.88%, expected life of 5 years, expected volatility of 100%, forfeiture rate of 0% and a dividend rate of 0%.

(i) As at September 30, 2016, the Company had stock options outstanding and exercisable enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
50,000	$0.05	September 8, 2019
250,000	$0.20	May 4, 2020
500,000	$0.08	November 17, 2019
800,000		

(ii) A summary of the status of the Company’s stock options as at September 30, 2016 and December 31, 2015, and changes during those years is presented below:

	Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 2014	**3,550,000**	**0.06**
Granted	2,250,000	0.16
Exercised	(1,900,000)	0.06
Cancelled	(500,000)	0.08
Balance, December 31, 2015	**3,400,000**	**0.12**
Exercised	(700,000)	0.05
Cancelled	(1,900,000)	0.13
Balance, September 30, 2016	**800,000**	**0.12**

(c) Warrants

During the year-ended December 31, 2015, the Company issued 8,500,000 warrants to management and to external consultants with each warrant to purchase one common share of the Company at an exercise price of $0.15 per share over between 3 to 5 years. These warrants were issued at a total fair value of $1,024,500 being credited to

(expressed in Canadian dollars)

8. **SHARE CAPITAL (continued)**

(c) Warrants (continued)

contributed surplus and was charged to operation as shares based payment using the Black Scholes option pricing model using the assumptions at the time of grant of risk free interest rates of 0.6% to 0.77%, expected life of 5 years, expected volatility of 100%, forfeiture rate of 0% and a dividend rate of 0%. During the year 2015, 1,400,000 warrants had been exercised by an external consultant and a total fair value of $130,200 was reallocated to share capital from contributed surplus (Note 8(a)).

During the current period ended September 30, 2016, 200,000 warrants and 2,880,000 warrants had been exercised by external consultants and a total fair value of $18,600 and $116,400 were reallocated to share capital from contributed surplus respectively (Note 8(a)). In addition, 7,000,000 warrants were also granted to insiders and consultants (Note 6) at an exercise price of $0.05 per share over 5 years. These warrants were issued at a total fair value of $287,000 being credited to contributed surplus and was charged to operation as shares based payment using the Black Scholes option pricing model using the assumptions at the time of grant of risk free interest rates of 0.67%, expected life of 5 years, expected volatility of 100%, forfeiture rate of 0% and a dividend rate of 0%. The Company also granted 500,000 warrants to a consultant at an exercise price of $0.05 per share over 5 years. These warrants were issued at a total fair value of $10,000 being credited to contributed surplus and was charged to operation as shares based payment using the Black Scholes option pricing model using the assumptions at the time of grant of risk free interest rates of 0.58%, expected life of 5 years, expected volatility of 100%, forfeiture rate of 0% and a dividend rate of 0%.

(c) Warrants (continued)

	Warrants Outstanding	Weighted Average Exercise Price
Balance, December 31, 2015	**7,100,000**	**0.15**
Granted	7,500,000	0.05
Exercised	(3,080,000)	0.15 / 0.05
Cancelled	(400,000)	0.15
Balance, September 30, 2016	**11,120,000**	**0.11**

Number of Shares	Exercise Price	Expiry Date
6,500,000	$0.15	April 15, 2020
4,200,000	$0.05	May 13, 2021
420,000	$0.05	August 11, 2021
11,120,000		

9. **CAPITAL DISCLOSURES**

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include administrative costs and general expenditures. In the management of capital, the Company includes cash, mortgages, due to related parties, due to shareholders, secured notes payable, promissory note and the components of shareholders’ equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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. Historically, funding for the Company's plan is primarily managed through the issuance of additional common shares, through its commercial activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required.

In order to carry out the planned development and pay for administrative costs, the Company will spend its existing working capital and expects to raise additional amounts as needed. The Company will continue to assess new

(expressed in Canadian dollars)

9. CAPITAL DISCLOSURES (continued)

business and seek to acquire an interest in additional business if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash, and all are held in major Canadian financial institutions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended September 30, 2016 and the year ended December 31, 2015. The Company is not subject to externally imposed capital requirements.

10. FINANCIAL INSTRUMENTS AND RISK FACTORS

(a) Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of transactions is classified according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs are other than quoted prices in Level 1 that are either directly or indirectly observable for the asset or liability.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level. The company’s cash and cash equivalents have been valued using Level 1 inputs.

The fair value of the Company’s financial instruments has been classified within the fair value hierarchy as at September 30, 2016 as follows:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	$ 10,242	$ -	$ -	$ 10,242
Investments	-	-	-	-
	$ 10,242	$ -	$ -	$ 10,242

(b) Credit risk

Credit risk is the loss associated with a counter-party’s inability to fulfil its payment obligations. The Company’s credit risk is attributable to GST receivable from Canadian Federal government and term deposits. The credit risk is minimized by placing cash with major Canadian financial institutions. Management believes that the credit risk concentration with respect to financial instruments above is remote.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company's exposure to liquidity risk is dependent on raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital and cash flows. The Company ensures that sufficient funds are raised from private placements or loans to meet its operating requirements, after taking into account existing cash. The Company’s cash and cash equivalents are held in business accounts which are available on demand for the Company’s business and are not invested in any asset-backed deposits or investments.

10. **FINANCIAL INSTRUMENTS AND RISK FACTORS** (continued)

(c) Liquidity risk (continued)

As at September 30, 2016, the Company had cash and cash equivalents of $10,242 to settle current liabilities of $2,352,112. The mortgage of $643,661 has a term which will be renewed on October 1, 2017 (Note 7). A total of convertible debentures of $250,000 are to be matured on June 15, 2017 while the seller note payable of $95,897 is to be matured on October 30, 2025. The refinanced second mortgage of $700,000 is to be matured in five years from March 31, 2016. The secured debts and secured convertible debts of $827,737 are already matured and are currently due on demand (Note 11).

(d) 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.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates decrease, the Company will generate smaller interest revenue. Presently the Company is not at risk of realizing a loss as a result of a decline in the fair value of its financial instruments because of the short-term nature of the investments. The Company is susceptible to interest rate fair value risk on its mortgage, note and convertible debts payables that bear fixed interest rates.

ii) Foreign currency risk

The Company's functional currency is the Canadian dollar and major expenditures are transacted in Canadian dollars.

11. **SECURED NOTES PAYABLE / CONVERTIBLE SECURED DEBT**

On March 31, 2014, the note payable in the amount of $347,737 due to a company owned by an officer of the Company was extinguished by the Company. In consideration for the extinguishment, the Company issued a non-interest bearing secured loan to replace the note payable. Together with the 25,000,000 common shares returned to treasury for cancellation at an agreed value of $750,000, the Company entered into a secured loan agreement with this company. This is a non-interest bearing loan in the amount of $1,097,737 to be due in two years on March 31, 2016 and secured by the Company's current and future assets secondary to the mortgage currently held by BlueShore Financial.

On June 30, 2014, the Company settled $600,000 of a secured non-interest bearing loan originally in the amount of $1,097,737 owing to company controlled by an officer of the Company at $0.10 per common shares of the Company and issued a total of 6,000,000 common shares. The Company also amended this secured non-interest bearing loan in the amount of $497,737 ("Loan 1") to be due in two years on June 30, 2016 and continue to be secured by the Company's current and future assets secondary to the second mortgage (Note 7). On April 1, 2015, this secured note has been amended to become a convertible secured debt with a conversion price of $0.15 per share with the same due date. Using discounted rate of 10%, the equity portion was determined to be $58,258. Gain on extinguishment of this note payable of $2,341 was also realized and included in the consolidated statements of operations in year ended 2015.

On March 31, 2014, another shareholder also returned 16,666,667 common shares of the Company to the treasury for cancellation at an agreed value of $500,000. The Company also entered into a non-interest bearing loan agreement with this shareholder in the amount of $500,000 ("Loan 2") to be due in two years on March 31, 2016 (and became due on demand on March 31, 2016) and secured by the Company's current and future assets with it rights subsequent to the registered holder described above. A prepayment of $170,000 was made during the year 2015 to an outside party on behalf of this loan holder and it is agreed that the prepayment amount is to be offset against the original loan amount upon maturity.

(expressed in Canadian dollars)

11. SECURED NOTES PAYABLE / CONVERTIBLE SECURED DEBT (continued)

During the year ended December 31, 2014, the total secured loans of $997,737 were accounted for at amortized cost using the effective interest rate method with the effective interest rate of 10% per annum. The debt discount of $158,654 was credited to contributed surplus, debited to secured notes and being amortized over the term of the note.

The total discount of $35,903 was charged to interest expense for the period ended September 30, 2016 (2015: $42,787).

	Convertible Debt	Loan 2	Total
Principal	$ 497,737	$ 500,000	$ 997,737
Unamortized discount	-	-	-
Prepayment	-	(170,000)	(170,000)
September 30, 2016	$ 497,737	$ 330,000	$ 827,737

12. PROMISSORY NOTE / LOANS PAYABLE / SELLER NOTE PAYABLE

On June 15, 2015, the Company entered into a convertible debenture with a third party in the amount of $250,000 with annual interest rate of 15% to be due in two years on June 15, 2017. The third party can convert the debenture, six months after the debenture date, into units of the Company at a price equal to 15% less than the market price at the time of conversion. Each unit consists of one common share and one-half warrant of the Company with each warrant exercisable at a price equal to the conversion price plus $0.05 per share. During the period ended September 30, 2016, interest of $9,450 (2015: $Nil) was accrued for on the loan. As of September 30, 2016, total of interest of $29,688 (2015: $20,313) was accrued for on the loan.

On December 1, 2015, the Company also entered into a second convertible debenture with a third party in the amount of $150,000 with annual interest rate of 15% to be due in three years on November 30, 2018, and it was fully repaid in April, 2016 (Note 14). The third party could convert the debenture, six months after the debenture date, into units of the Company at a price equal to 15% less than the market price at the time of conversion. Each unit consisted of one common share and one-half warrant of the Company with each warrant exercisable at a price equal to the conversion price plus $0.05 per share. During the period ended June 30, 2016, interest of $7,890 (2015: $Nil) was paid on the loan and this convertible debenture has been fully repaid by the Company. As of September 30, 2016, $Nil (2015: $151,875) was still owing and outstanding to this third party.

On March 1, 2015, the Company received a loan of $50,000 from a third party. This loan is non-interest bearing with no fixed terms of repayment.

On October 31, 2015, the Company entered into a secured note payable with the seller of the Oroville Property in the amount of US$78,000 (Note 4). During the period ended September 30, 2016, interest and principal of $5,981 and $5,323 was paid on this note respectively. Unrealized foreign exchange gain of $5,538 was recorded on this seller note payable for the same period ended September 30, 2016.

In July 2016, the Company received a loan of $19,000 from a third party. This loan is non-interest bearing with no fixed terms of repayment.

13. PREPAYMENTS ON FACILITIES

The Company incurred and paid several prepayments with respect to the Sumas and Oroville property as below:

- 3,000,000 common shares were issued at fair value of $0.15 per share for total value of $450,000 to acquire the first tenant on the Sumas Property and is recorded as a prepayment;
- 3,000,000 common shares were issued at fair value of $0.15 per share for total value of $450,000 to acquire the second tenant on the Sumas Property who is in process of applying to move its operation onto the Oroville Property. This payment is also recorded as a prepayment;

13. PREPAYMENTS ON FACILITIES (continued)

- A cash prepayment of $185,995 (2015: $72,417) was made with respect to the build-up of the facility on the Oroville Property;

- A cash prepayment of $34,845 (2015: $Nil) was made with respect to purchase of an equipment for the the build-up of the facility on the Oroville Property;

- Total cash prepayments of $158,110 (2015: $116,710) were made as down payments in acquiring interests in three operations on the Oroville Property.

14. SUBSEQUENT EVENTS

The Company closed a private placement for gross proceeds of $722,250 and issued 8,497,058 units at $0.085 per unit. Each unit consists of one common share and one warrant at an exercise price of $0.20 within two years and 329,824 broker warrants as finders' fees at an exercise price of $0.085 were issued. The Company also granted 5,000,000 warrants to other finders at same exercise price of $0.085 exercisable within two years.

The Company also granted 5,000,000 warrants to a consultant with an exercise price of $0.07 to be expired within two years.

4,480,000 warrants at an exercise price of $0.05 were exercised to extinguish total debts of $224,000 owing to external consultants and to officers and directors.

1,000,000 warrants at an exercise price of $0.15 were exercised to extinguish debts of $150,000 owing to an external consultant.

1,000,000 common shares were issued to extinguish debts of $71,250 owing to external consultants.

2,500,000 common shares were issued to officers & directors for services of $178,125 and 10,000,000 common shares were issued to officers & directors for services of $712,500.

5,500,000 stock options with exercise price of $0.095, 1,400,000 stock options with exercise price of $0.065, 1,000,000 stock options with exercise price of $0.09, 3,900,000 stock options with exercise price of $0.29 and 1,400,000 stock options with exercise price of $0.27 were issued to external consultants.

1,400,000 stock options with exercise price of $0.065 per share were exercised for gross proceeds of $91,000 and 1,000,000 stock options with exercise price of $0.09 per share were exercised for gross proceeds of $90,000.

5,500,000 stock options with exercise price of $0.095 were exercised for gross proceeds of $522,500 and 1,400,000 stock options with exercise price of $0.27 per share were exercised for gross proceeds of $378,000.