NEW AGE FARM INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND DECEMBER 31, 2015

(Expressed in Canadian dollars)

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Adam Kim

ADAM SUNG KIM LTD.
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
New Age Farm Inc.

I have audited the accompanying consolidated financial statements of New Age Farm Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of operations and comprehensive operations, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity (deficiency) for the years ended December 31, 2016 and December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flow for the years ended December 31, 2016 and December 31, 2015 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying my opinion, I draw attention to Note 1 in the consolidated financial statements which indicates that the Company has incurred losses to date. This condition, along with other matters as set forth in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

"Adam Sung Kim Ltd."
Chartered Professional Accountant

Burnaby, British Columbia
May 1, 2017

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

	December 31, 2016	December 31, 2015
Current		
Cash	$ 562,585	$ 100,047
Prepaid expenses	-	104,050
Due from related parties (Note 13)	-	25,688
Investment to be distributed to shareholders (Note 3)	1	-
	562,586	229,785
Property, plant and equipment (Note 4)	1,163,348	1,965,642
Deferred costs (Note 5)	919,403	912,660
Total assets	$ 2,645,337	$ 3,108,087
Current		
Accounts payable	$ 44,317	$ 105,224
Accrued liabilities	77,525	719,677
Security deposit received	-	7,000
Loans payable (Note 12)	50,000	201,875
Secured notes payable (Note 11)	-	318,274
Secured debt (Note 11)	-	473,560
Current portion of seller note payable (Note 12)	8,375	7,508
Current portion of mortgage (Note 7)	-	18,525
Second mortgage (Note 7)	-	400,000
Due to related parties (Note 13)	1,057,332	-
	1,237,549	2,251,643
Long term loan payable (Note 12)	-	270,313
Long term portion of seller note payable (Note 12)	82,603	99,250
Long term portion of mortgage (Note 7)	-	638,820
Total liabilities	1,320,152	3,260,026
Shareholders' equity (deficiency)		
Shares capital (Note 8)	11,489,954	5,342,350
Contributed surplus	2,433,148	1,516,466
Deficit, per accompanying statement	(12,597,917)	(7,010,755)
Total shareholders' equity (deficiency)	1,325,185	(151,939)
Total liabilities and shareholders' equity	$ 2,645,337	$ 3,108,087

Nature and continuance of operations (Note 1) and **Subsequent events** (Note 15)

Approved on behalf of the Board on May 1, 2017:

"Carman Parente" *"Anthony Chan"*

Director – Carman Parente Director – Anthony Chan

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

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

		December 31, 2016		December 31, 2015
Expenses				
Advertising & promotion		259,752		41,095
Amortization		9,000		-
Business development		-		1,054
Bank charges		1,594		1,707
Consulting (Note 6)		1,763,388		1,968,479
Directors' fees (Note 6)		72,000		72,000
Finance expense		-		150,000
Foreign exchange (gain)/loss		(10,411)		11,752
Insurance		6,406		4,295
Interest		45,827		23,598
Office and miscellaneous		26,901		15,011
Professional fees		54,618		173,709
Utility & property taxes		4,280		2,950
Telephone		940		1,732
Transfer agent, listing & filing fees		9,918		77,408
Travel		217		25,016
Shares based payments (Note 8)		1,982,100		1,283,500
		4,226,530		3,853,306
Other income (expense)				
Loss on settlements of debts		(265,563)		-
Write off of loan receivable		(25,000)		-
Write off of investment (Note 3)		(3,441,341)		(60)
Total expenses		7,958,434		3,853,366
Loss and comprehensive loss from continued operations for the year		(7,958,434)		(3,853,366)
Income (loss) and comprehensive income (loss) from discontinued operations for the year (Note 3)		353,615		(786,827)
Loss and comprehensive loss for the year	$	(7,604,819)	$	(4,640,193)
Loss per share	$	(0.11)	$	(0.09)
Weighted average number of shares outstanding		70,310,378		54,606,764

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

NEW AGE FARM INC.
Consolidated Statements of Changes in Shareholders' Equity
(expressed in Canadian dollars)

	Number of Shares		Share Capital & subscribed		Contributed Surplus*		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)		-		-
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
Shares based payments	-		-		1,283,500		-		1,283,500
Warrants exercised at $0.15 per share	1,400,000		210,000		-		-		210,000
Fair value of warrants transferred	-		130,200		(130,200)		-		-
Shares issued to purchase equipment	200,000		30,000		-		-		30,000
Shares issued as finder's fees	6,000,000		900,000		-		-		900,000
Loss for the year	-		-		-		(4,640,193)		(4,640,193)
Balance, December 31, 2015	**61,213,759**		**5,342,350**		**1,516,466**		**(7,010,755)**		**(151,939)**
Exercise of warrants	8,800,000		580,000		-		-		580,000
Fair value of warrants transferred	-		468,000		(468,000)		-		-
Exercise of options	10,000,000		1,116,500		-		-		1,116,500
Fair value of options transferred	-		701,300		(701,300)		-		-
Shares issued for services, as compensation and to settle debts	17,302,500		1,389,561		-		-		1,389,561
Shares issued for cash per private placements	8,747,058		743,500		-		-		743,500
Shares based payments, options granted and warrants issued	-		-		1,982,100		-		1,982,100
Fair value of brokers warrants issued	-		(338,140)		338,140		-		-
Commissions and fees paid on private placement	-		(16,560)		-		-		(16,560)
Subscription receivable	-		(154,750)		-		-		(154,750)
Deconsolidation of a subsidiary	-		(1,540,183)		(234,108)		1,774,291		-
Shares issued in originally acquiring a subsidiary	-		3,441,342		-		-		3,441,342
Derecognition of reverse-takeover share capital to deficit	-		(243,366)		-		243,366		-
Miscellaneous	-		400		(150)		-		250
Loss for the year	-		-		-		(7,604,819)		(7,604,819)
Balance, December 31, 2016	**106,063,317**	**$**	**11,489,954**	**$**	**2,433,148**	**$**	**(12,597,917)**	**$**	**1,325,185**

*Contributed surplus consists of fair values of stock options and warrants.

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

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

		December 31, 2016		December 31, 2015
Cash flows from (used in)				
Operating activities				
Net loss for the year from continued operation	$	(7,958,434)	$	(3,853,366)
Items not affecting cash:				
Amortization		9,000		-
Accrued interest		31,250		22,188
Loss on settlements of debts		265,563		-
Finance expense		-		150,000
Shares issued for services		82,000		1,100,000
Write off of loan receivable		25,000		-
Write off of investment		3,441,341		60
Shares based payments		1,982,100		1,283,500
		(2,122,180)		(1,297,618)
Changes in non-cash working capital items:				
GST receivable		-		1,151
Prepaid expenses		104,051		(97,050)
Accounts payable and accrued liabilities		353,140		451,603
Cash used in continued operation		(1,664,989)		(941, 914)
Cash used in discontinued operation		197,503		(14,595)
Net cash used in operating activities		(1,467,486)		(956, 509)
Investing activities				
Deposit on real property		-		11,462
Investment in subsidiary		-		(60)
Due from related parties		-		63,200
Deferred costs		(6,743)		(12,660)
Cash transferred upon spin-out		(22,697)		-
Purchase of property & equipment		(739,009)		(704,902)
Cash used in continued operation		(768,449)		(642,960)
Cash used in discontinued operation		131,070		(88,200)
Net cash used in investing activities		(637,379)		(731,160)
Financing activities				
Loans payable		(151,875)		450,000
Seller note payable		(15,780)		106,758
Due to related parties		185,058		-
Proceeds from issuance of common shares		679,750		600,000
Commissions paid on private placements		(16,560)		-
Exercise of stock options		1,025,500		122,000
Exercise of warrants		580,000		210,000
Cash provided from continued operation		2,286,093		1,488,758
Cash provided from discontinued operation		281,310		212,006
Net cash provided from financing activities		2,567,403		1,700,764
Increase in cash and cash equivalents during the year		462,538		13,095
Cash and cash equivalents, beginning of the year		100,047		86,952
Cash and cash equivalents, end of the year	$	562,585	$	100,047
Interest paid	$	14,577	$	84,944
Income tax paid	$	-	$	-
Non-cash Transactions:				
Issuance of shares to settle debts and for services	$	1,389,561	$	1,100,000
Fair value of brokers warrants issued as share issuance costs	$	338,140	$	-
Settlement of debt for a property	$	301,563	$	-
Issuance of shares as finance expense	$	-	$	150,000
Issuance of shares to purchase equipment	$	-	$	30,000
Issuance of shares as deferred expenditures	$	-	$	900,000

1. NATURE AND CONTINUANCE OF OPERATIONS

New Age Farm Inc. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on September 27, 2013, under the name 0981624 B.C. Ltd. as a wholly owned subsidiary of Five Nines Ventures Inc. ("Five Nines") for the purpose of completing a statutory plan of arrangement (the "Arrangement") with Five Nines. The Company subsequently changed its name to New Age Farm Inc. on April 10, 2014. On August 13, 2014, pursuant to the Arrangement, the Company completed the acquisition of NHS Industries Ltd. ("NHS"), a private British Columbia company that has been engaged in agricultural land holdings and farm services. From an accounting perspective, NHS became the acquirer in a reverse-takeover transaction and the Company's consolidated financial statements were considered as a continuation of the financial statements of NHS until a spin-out of NHS on December 31, 2016. The Company listed its common shares on the Canadian Securities Exchange and began trading under the symbol NF on August 18, 2014.

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." ("NHS") 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.

On August 31, 2016, the Company and NHS entered into an arrangement agreement whereby the Company would spin-off NHS, together with all its assets and liabilities, as a separate operating entity and NHS would operate the Company's farm property located in Langley, British Columbia (the "Arrangement"). The Company would continue to operate its real estate and farm properties in Washington State in USA. In return, following completion of the Arrangement, shareholders of the Company would hold one new share in the capital of the Company and its pro–rata share of the post-consolidation NHS shares to be distributed under the Arrangement for each currently held New Age Farm share. The board of directors of the Company has set the share distribution record date of the Plan of Arrangement at close of business on November 30, 2016. The Company further determined the effective date of the spin-off to be at December 31, 2016. Therefore, these consolidated financial statements have de-recognized all of NHS' assets and liabilities at its year-end date of December 31, 2016. For the consolidated statements of operations and comprehensive loss and the consolidated statements of cash flows, discontinued operations has been separately disclosed from the continued operations and all of its previous year's figures for 2015 have been adjusted for comparative purposes.

At December 31, 2016, the Company had working capital deficiency of $674,963 (2015 - $2,021,858), had not yet achieved profitable operations, has accumulated losses of $12,597,917 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 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 consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

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

These 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 consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, New Age Farm Washington, LLC. All inter-company transactions and balances have been eliminated in the consolidated financial statement presentation. These 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 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.

Financial instruments recorded at fair value

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 and deferred expenditures**

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
Deferred costs	-	Over term of lease with tenants

An item of property, plant and equipment and deferred expenditures 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 and deferred costs consist of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment and deferred expenditures. 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 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, 2017 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.

3. INVESTMENT IN NHS

As at December 31, 2016, pursuant to the Arrangement (Note 1), the Company de-recognized all of NHS's assets and liabilities as result of the spin-off and realized gain of $439,799 on a disposal of NHS during the year ended December 31, 2016. The Company also determined that there was a permanent impairment of its investment in NHS and wrote it down by $3,441,341 to $1. The investment of $1 in NHS has not been distributed to shareholders of the Company as at December 31, 2016.

Statements of Operations and Comprehensive Operations of NHS
(expressed in Canadian dollars)

	Years Ended	
	December 31, 2016	**December 31, 2015**
Revenue		
Rent	$ 84,000	$ 84,000
Interest	29	75
Total revenue	84,029	84,075
Expenses		
Accretion	35,903	88,663
Amortization	24,193	24,559
Bank charges	90	227
Insurance	10,221	17,469
Interest	79,914	83,534
Professional fees	13,855	3,951
Utility, property taxes and miscellaneous	6,037	4,841
	170,213	223,244
Other income (expense)		
Write off of development costs	-	(650,000)
Gain on extinguishment of notes payable	-	2,342
Total expenses	170,213	870,902
Loss and comprehensive loss for the year	(86,184)	(786,827)
Gain on a disposal of a subsidiary	439,799	-
Income (loss) from discontinued operations for the year	$ 353,615	$ (786,827)

(expressed in Canadian dollars)

4. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2016			
	Cost	Additions/ (Deconsolidation)	Accumulated Amortization	Net Carrying Amount
Land	$ 900,000	$ (900,000)	$ -	$ -
Building	213,800	(78,393)	(135,407)	-
Greenhouse	298,626	(220,640)	(77,986)	-
Furniture, fixture and equipment	21,423	(6,351)	(15,072)	-
Motor Vehicle	23,776	(1,165)	(22,611)	-
Sumas Property	369,916	(301,563)	-	68,353
Sumas Property - Facility	108,261	22,995	-	131,256
Oroville Property	154,308	-	-	154,308
Oroville Property - Facility	72,417	716,014	-	788,431
Tractor	30,000	-	(9,000)	21,000
	$ 2,192,527	$ (769,103)	$ (260,076)	$ 1,163,348

	December 31, 2015			
	Cost	Additions/ Disposal	Accumulated Amortization	Net Carrying Amount
Land	$ 900,000	$ -	$ -	$ 900,000
Building	213,800	-	(121,154)	92,646
Greenhouse	298,626	-	(69,455)	229,171
Furniture, fixture and equipment	21,423	-	(14,164)	7,259
Motor Vehicle	23,776	-	(22,112)	1,664
Sumas Property	-	369,916	-	369,916
Sumas Property - Facility	-	108,261	-	108,261
Oroville Property	-	154,308	-	154,308
Oroville Property - Facility	-	72,417	-	72,417
Tractor	-	30,000	-	30,000
	$ 1,457,625	$ 734,902	$ (226,885)	$ 1,965,642

4. **PROPERTY, PLANT AND EQUIPMENT** (continued)

The Company acquired an agricultural property during 2015 in Whatcom County, Washington State ("Sumas Property") for a total purchase price of $369,916. The Company is still in process of building a facility on the Sumas Property of which $131,256 (2015 - $108,261) of expenditure has been incurred as at December 31, 2016. The Company entered into a lease agreement with its first tenant on the property and it will commence to charge rental income to the tenant after the facility has been completely built to the tenant's specification and requirement. 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 deferred costs with respect to acquiring this first tenant during the year ended December 31, 2015 (Note 8). During the year 2016, the Company sold 50% of its interest in Sumas Property for $301,563 to the debenture holder who held a convertible debt of $250,000 and offset the entire debt amount and accrued interest (See Note 12). This amount has been deducted from the carrying value of the Sumas Property in the year 2016.

During 2015, the Company acquired another property in Okanogan County, Washington State ("Oroville Property") for a total purchase price of $154,308 (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 an amount of US$78,000, at the rate of 8% per annum for a period of 10 years to be due on October 30, 2025 (Note 12).

As result of completing the spin-off of NHS, the Company de-recognized all of NHS' property, plant and equipment on December 31, 2016 including the carrying values of land and building, greenhouse, furniture & fixtures and motor vehicle located on the Langley property.

5. **DEFERRED COSTS**

The Company has incurred expenditures in acquiring the tenants on its Sumas Property and on its Oroville Property as below:

- Sumas Property: 3,000,000 common shares were issued at fair value of $0.15 per share for total value of $450,000 to acquire a tenant on the Sumas Property in 2015;
- Oroville Property: 3,000,000 common shares were issued at fair value of $0.15 per share for total value of $450,000 to acquire a tenant on the Oroville Property in 2015 and cash payment for $19,403 was made to acquire this tenant as at December 31, 2016.

The Company will start amortize these expenditures over the lease terms of the tenant agreement once the facility on each property has been completed. As of December 31, 2016, the Company has not yet completed its facility on each property.

(expressed in Canadian dollars)

6. RELATED PARTY TRANSACTIONS

For annual management compensation information, please refer to the table below:

Management compensation								Total Management
Year 2015	Consulting Fees		Director Fees		Share compensation		Compensation	
Carman Parente	$	330,000	$	24,000	$	451,500	$	805,500
Anthony Chan	$	90,000	$	24,000	$	129,000	$	243,000
Lorraine Pike, not yet a director in 2015			$	-	$	-	$	-
Peter Jensen, resigned as a director in Nov 2015	$	22,000	$	24,000	$	129,000	$	175,000
	$	442,000	$	72,000	$	709,500	$	1,223,500
Year 2016								
Carman Parente, CEO and director	$	430,000	$	24,000	$	82,000	$	536,000
Anthony Chan, CFO & director	$	240,000	$	24,000	$	41,000	$	305,000
Lorraine Pike, became a director in 2016	$	74,364	$	24,000	$	16,400	$	114,764
	$	744,364	$	72,000	$	139,400	$	955,764

The amounts of $Nil (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.

During the year ended December 31, 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 after a write-off of $25,000. This loan was non-interest bearing and had no fixed terms of repayment.

The officers and director also exercised warrants and settled debts for shares during the year 2016 as below:

Through a private company controlled by CEO, it:
- exercised 2,000,000 warrants at an exercise price of $0.05 per share for $100,000;
- settled total fees accrued plus taxes of $106,875 for total of 1,500,000 compensation shares; and
- settled total fees accrued plus taxes of $391,875 for total of 5,500,000 compensation shares.

Through a private company controlled by CFO, it:
- settled total fees accrued plus taxes of $55,125 for total of 1,102,500 shares;
- exercised 1,000,000 warrants at an exercise price of $0.05 per share for $50,000;
- settled total fees accrued plus taxes of $71,250 for total of 1,000,000 compensation shares; and
- settled total fees accrued plus taxes of $142,500 for total of 2,000,000 compensation shares.

The Company's corporate secretary who is also a director, she:
- exercised 400,000 warrants at an exercise price of $0.05 per share for $20,000; and
- settled total fees accrued plus taxes of $25,000 for total of 500,000 shares.

Please also refer to Note 13 for other Due to/From related parties transactions.

7. MORTGAGE / SECOND MORTGAGE

NHS 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 NHS and an assignment of rents.

(expressed in Canadian dollars)

7. **MORTGAGE / SECOND MORTGAGE** (continued)

		December 31, 2016		December 31, 2015
Balance, beginning of the year	$	657,345	$	675,339
Principal payments made during the year		(18,690)		(17,994)
Balance, end of the period		638,655		657,345
Amount payable within one year		-		(18,525)
Amount de-recognized on December 31, 2016		(638,655)		-
	$	-	$	638,820

During the fiscal year of 2016, its original second mortgage of $400,000 on its Langley property of NHS was due and NHS entered into a refinanced second mortgage agreement on its Langley property for an amount of $700,000 from a private lender.

As result of completing the spin-off of NHS, the Company de-recognized all of NHS mortgages on December 31, 2016.

8. **SHARE CAPITAL**

(a) Authorized: Unlimited common shares without par value
Issued : 106,063,317 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.

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.

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 5).

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 an exercise price of $0.15 per warrant for a total proceed of $30,000

8. **SHARE CAPITAL** (continued)

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 a total fair value of $45,063 to settle debts of $80,126 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. Fair value of these warrants of $116,400 was also re-allocated from contributed surplus to share capital.

In October 2016, the Company issued 3,500,000 common shares at a fair value of $0.07 per share to settle total debts of $249,375 and recognized gain on settlements of debts of $4,375.

From October to December 2016, 4,520,000 warrants were exercised at an exercise price of $0.05 per share for total proceeds of $226,000 and 1,200,000 warrants were exercised at an exercise price of $0.15 per share for total proceeds of $180,000. Fair value of these warrants of $333,600 was also re-allocated from contributed surplus to share capital.

From October to December 2016, 1,400,000 options at an exercise price of $0.065, 1,000,000 options at an exercise price of $0.09, 5,500,000 options at an exercise price of $0.095 and 1,400,000 options at an exercise price of $0.27, were all exercised for total proceeds of $1,081,500. Fair value of these options of $690,100 was also re-allocated from contributed surplus to share capital.

In November 2016, the Company issued 10,000,000 common shares at a fair value of $1,017,500 to certain officers and consultants as compensation shares to settle fees of $712,500 and recognized loss of $305,000 as debts settlements.

In November 2016, the Company closed a private placement and issued 8,747,058 units at $0.085 per unit for total proceeds of $743,500. Each unit consists of one common share and one warrant at an exercise price of $0.20 over two years. Share issuance costs of $16,560 was paid in relation to the private placement. The Company issued 5,000,000 warrants as finders' fees at an exercise price of $0.085 per share over two years and issued 329,824 brokers warrants at an exercise price of $0.20 over two years. Fair value of these finders' warrants and brokers' warrants totaling $338,140 was charged as share issuance costs using the Black Scholes option pricing model using the assumptions at the time of grant of risk free interest rates of from 0.72%, expected life of 2 years, expected volatility of 100%, forfeiture rate of 0% and a dividend rate of 0%.

As result of deconsolidating NHS pursuant to the spin-off, the Company de-recognized share capital, contributed surplus in amounts of $1,540,183 and $234,108 respectively out of NHS and charged the total to the deficit. The share capital originally recognized as reverse-takeover in an amount of $243,366 was also charged to deficit. At the same time, the Company also recognized fair value of $3,441,342 for the shares originally issued in acquiring NHS as part of deconsolidation.

(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 and that the number of common shares reserved for issuance pursuant to options granted to all consultants or persons conducting investing relations activities will not exceed 2% of the issued and outstanding common shares within any 12-month period. 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%.

During 2016, the Company granted incentive stock options to several consultants of the Company to purchase up to an aggregate of 9,300,000 common shares in the capital stock of the Company. These options are exercisable at prices from $0.065 to $0.27 per share, and will expire from October 6, 2019 to November 22, 2019. All options were fully vested at the date of grant. The fair value of these 9,300,000 stock options was determined to be $690,100 using the Black Scholes option pricing model using the assumptions at the time of grant of risk free interest rates of from 0.56% to 0.72%, expected life of 3 years, expected volatility of 100%, forfeiture rate of 0% and a dividend rate of 0%.

(i) As at December 31, 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
300,000		

(ii) A summary of the status of the Company's stock options outstanding and exercisable as at December 31, 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**
Granted	9,300,000	0.12
Exercised	(10,000,000)	0.11
Cancelled	(2,400,000)	0.13
Balance, December 31, 2016	300,000	0.18

(expressed in Canadian dollars)

8. **SHARE CAPITAL** (continued)

(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 as result of these parties agreeing to defer receiving payments for consultant fees until the Company was in cash flow position. These warrants were issued at a total fair value of $1,024,500 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 0.6% to 0.77%, expected life of 5 years, expected volatility of 100%, forfeiture rate of 0% and a dividend rate of 0%. During the same period, 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 year-ended December 31, 2016, the Company issued 17,500,000 warrants to management and external consultants with each warrant to purchase one common share of the Company at exercise prices from $0.05 to $0.24 per share over 3 to 5 years. These warrants were issued as result of these parties agreeing to defer receiving payments for consultant fees until the Company was in cash flow position. These warrants were issued at a total fair value of $1,292,000 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 from 0.54% to 0.72%, expected life of 3 to 5 years, expected volatility of 100%, forfeiture rate of 0% and a dividend rate of 0%. During the same period, 8,800,000 warrants had been exercised from $0.05 to $0.15 per share and a total fair value of $468,000 was reallocated to share capital from contributed surplus (Note 8(a)).

	Warrants Outstanding & Exercisable	**Weighted Average Exercise Price**
Balance, December 31, 2014	**-**	**-**
Granted	8,500,000	0.15
Exercised	(1,400,000)	0.15
Balance, December 31, 2015	**7,100,000**	**0.15**
Granted	31,576,882	0.13
Exercised	(8,800,000)	0.07
Cancelled	(400,000)	0.15
Balance, December 31, 2016	**29,476,882**	0.16

Number of Shares	**Exercise Price**	**Expiry Date**
5,300,000	$0.15	April 15, 2020
100,000	$0.05	August 11, 2019
5,000,000	$0.07	October 12, 2019
8,747,058	$0.20	November 16, 2018
5,000,000	$0.085	November 16, 2018
329,824	$0.20	November 16, 2018
5,000,000	$0.24	November 27, 2019
29,476,882	$0.16	

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, due to related parties, loan payable, notes payable, 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 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 year ended December 31, 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.

(expressed in Canadian dollars)

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

(a) Fair values (continued)

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at December 31, 2016 as follows:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash	$ 562,585	$ -	$ -	$ 562,585
	$ 562,585	$ -	$ -	$ 562,585

(b) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable Canadian financial institutions, from which management believes the risk of loss to be minimal. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

(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 is 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.

As at December 31, 2016, the Company had cash of $562,585 to settle current liabilities of $1,237,549. The seller note payable of $90,978 is to be matured on October 30, 2025.

(d) 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. The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets. The Company is susceptible to interest rate fair value risk on its note payables that bear fixed interest rates.

(expressed in Canadian dollars)

11. SECURED NOTES PAYABLE / SECURED DEBT

NHS entered into a secured debt with a company controlled by an officer of the Company during the fiscal year 2015. As of December 31, 2015, the carrying value of the secured debt was $473,560. The secured debt was non-interest bearing with no fixed terms of repayment and was due on June 30, 2016. The debt became a due on demand, non-interest bearing loan on the maturity date. On December 31, 2016, the Company de-recognized this liability as part of the spin-off process.

NHS also entered into another secured debt with a shareholder of the Company in an amount of $500,000 during the fiscal year 2015. As of December 31, 2015, the carrying value of the secured debt was $318,274, after offsetting a prepayment of $170,000 made to an external party on behalf of this shareholder. The secured debt was non-interest bearing with no fixed terms of repayment and was due on March 31, 2016. The debt became a due on demand, non-interest bearing loan on the maturity date. On December 31, 2016, the Company de-recognized this liability as part of the spin-off process.

12. PROMISSORY NOTE / LOANS PAYABLE / SELLER NOTE PAYABLE

On June 15, 2015, the Company entered into a convertible debenture with a third party in an 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 year-ended December 31, 2016, interest of $31,250 (2015 - $20,313) was accrued for on the loan. In October 2016, the Company entered into an agreement with the holder of this debenture to waive the full amount of debenture plus accrued interest in an amount of $301,563 by selling 50% of its interest in the Sumas property (Note 4).

On December 1, 2015, the Company also entered into a second convertible debenture with a third party in an amount of $150,000 with annual interest rate of 15% to be due in three years on November 30, 2018, and the principal amount and accrued interest in an amount of $157,890 was fully repaid in April, 2016.

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 an amount of US$78,000 (Note 4). During the year-ended December 31, 2016, interest and principal of $8,562 (2015 - $1,410) and $15,780 (2015 - $1,173) was paid on this note respectively.

13. DUE TO/FROM RELATED PARTIES

Due to related parties as at December 31, 2016 comprised of two parties. All of the due to related parties are non-interest bearing, non-secured with no fixed terms of repayment. The breakdown of the amount owing is as below:

NHS Industries Ltd.	$ 740,941
Private companies controlled by CEO	$ 316,391
Total due to related parties	$1,057,332

The amount of $146,010 owing to NHS as at December 31, 2015 was eliminated as part of consolidation and thus was not included in the comparative figures.

(expressed in Canadian dollars)

13. **DUE TO/FROM RELATED PARTIES** (continued)

As at December 31, 2015, a loan receivable of $25,000 was due from a private company of which the CEO of the Company is one of shareholders of this company. This was a non-interest bearing, non-secured loan with no fixed terms of repayment. Due to uncertainty of collection of this loan, the Company had written off this loan as a charge to its continued operations during the year ended December 31, 2016.

Refer to Note 6, 8 and 11 for other related party transactions.

14. **INCOME TAXES**

The income taxes shown in the Consolidated Statements of Operations differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

	2016	**2015**
	26.0%	**26.0%**
	$	**$**
Loss for the year	**(7,604,819)**	**(4,640,193)**
Expected income tax recovery	**(1,977,253)**	**(1,206,450)**
Items deductible and not deductible for income tax purposes	**1,311,284**	**349,464**
Deconsolidation of a subsidiary	**510,086**	**-**
Current and prior tax attributes not recognized	**155,883**	**856,986**
	-	-

Details of deferred tax assets are as follows:

	2016	**2015**
	$	**$**
Non-capital and capital loss carryforwards	**1,484,291**	**1,319,094**
Equipment and others	**5,784**	**15,098**
Unrecognized deferred tax assets	**(1,490,075)**	**(1,334,192)**
	-	**-**

As at December 31, 2016, the Company had approximately $5,700,000 of non-capital losses available, which begin to expire through to 2036 and may be applied against future taxable income.

At December 31, 2016, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years

15. SUBSEQUENT EVENTS

1,440,000 warrants were exercised by various consultants at an exercise price of $0.15 per share and issued 1,440,000 common shares of the Company.

5,000,000 warrants were exercised by an external consultant at an exercise price of $0.07 per share and issued 5,000,000 common shares of the Company.

100,000 warrants were exercised by an external consultant at an exercise price of $0.05 per share and issued 100,000 common shares of the Company.

4,550,000 finders' warrants were exercised by various finders at an exercise price of $0.085 per share and issued 4,550,000 common shares of the Company.

500,000 common shares of the Company were issued to a director for his services.

6,000,000 stock options were granted to an external consultant as an exercise price of $0.13 per share for two years.

6,000,000 stock options were exercised by an external consultant at an exercise price of $0.13 per share and issued 6,000,000 common shares of the Company.

10,000,000 warrants were issued to various officers, directors and external consultants with an exercise price of $0.15 per share with an expiry date of February 8, 2020.