VODIS PHARMACEUTICALS INC.

CONDENSED CONSOLIDATED

INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2016

The accompanying unaudited condensed consolidated interim financial statements of Vodis Pharmaceuticals Inc. (the “Company”) for the period ended September 30, 2016 have been prepared by, and are the responsibility of, the Company’s management.

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

VODIS PHARMACEUTICAL INC.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (unaudited)
(Expressed in Canadian Dollars)

	September 30, 2016	March 31, 2016
	$	$
ASSETS		
Current assets		
Cash	97,622	884
Receivables	165,845	66,565
Receivables from related parties (Note 8)	30,000	116,487
Prepaids	37,349	52,450
Total Current assets	330,816	236,386
Non-current assets		
Leasehold improvements	960,999	879,039
Investment property (Note 5)	1,913,786	1,948,505
	2,874,785	2,827,544
TOTAL ASSETS	3,205,601	3,063,930
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	1,054,634	468,567
Accounts payable to related parties (Note 8)	261,053	350,859
Notes payable (Note 6)	234,000	55,000
Finance lease liability (Note 7	155,893	192,935
	1,705,580	1,067,361
Non-current liabilities		
Finance lease liability (Note 7)	1,616,444	1,616,986
Total Liabilities	3,322,024	2,684,347
EQUITY		
Share capital (Note 9)	4,267,152	4,267,152
Equity reserves	584,487	853,731
Deficit	(4,968,062)	(4,741,300)
Total Equity	(116,423)	379,853
TOTAL LIABILITIES AND EQUITY	3,205,601	3,063,930

Nature and continuance of operations (Note 1)

Events after reporting period (Note 14)

Approved and authorized by the Board on November 28, 2016

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

VODIS PHARMACEUTICAL INC.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE LOSS (unaudited)
(Expressed in Canadian Dollars)

	THREE MONTHS ENDED SEPTEMBER 30		SIX MONTHS ENDED SEPTEMBER 30	
	2016	2015	2016	2015
	$	$	$	$
Rental Revenue	21,564	76,491	33,165	76,491
OPERATING EXPENSES				
Consulting	52,992	336,504	98,685	336,504
Depreciation	34,832	26,284	108,323	26,284
Filing and regulatory fees	4,884	10,155	6,568	11,655
Interest	31,546	20,890	57,520	20,890
Office and general	9,074	117,408	59,474	119,660
Professional fees	13,491	253,310	74,494	276,473
Rent	-	44,503	8,690	44,503
Salary and benefits	14,345	212,754	14,345	233,978
Shareholder communication and investor relations	-	6,240	-	6,240
Share-based payments (Note 12)	55,543	76,207	90,301	100,532
Travel	11,500	3,931	13,693	3,931
Operating expenses	(228,207)	(1,091,697)	(532,093)	(1,164,161)
Loss and comprehensive loss for the period	(206,643)	(1,015,206)	(498,928)	(1,087,670)
Basic and diluted loss per common share	(0.003)	(0.02)	(0.006)	(0.02)
Weighted average number of common shares outstanding	77,068,168	60,872,838	77,068,168	60,430,377

The accompanying notes are an integral part of these condensed consolidated interim statement

VODIS PHARMECEUTICALS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (unaudited)
(Expressed in Canadian Dollars)
SIX MONTHS ENDED SEPTEMBER 30

	2016	2015
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(498,928)	(1,087,670)
Items not affecting cash:		
Shares issued pursuant to debt settlement	-	445,024
Share-based payments	90,301	100,532
Interest	37,584	-
Depreciation	108,323	26,284
Foreign Exchange	51,477	1,231
Changes in non-cash working capital items:		
Receivables	(96,883)	(239,125)
Receivable from related party	84,090	-
Prepaids	15,101	(8,081)
Accounts payable and accrued liabilities	586,068	226,463
Accounts payable to related party	(89,806)	5,079
Cash provided by (used in) operating activities	146,789	(530,263)
CASH FLOWS FROM INVESTING ACTIVITIES		
Leasehold improvements	(191,467)	(133,935)
Investment Property		(565,400)
Cash used in investing activities	(191,467)	(699,335)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement	-	516,920
Share issuance costs	-	(21,080)
Note payable	179,000	438,625
Payment of finance lease liabilities	(37,584)	(62,034)
Cash provided by financing activities	141,416	872,431
Effect of foreign exchange on cash	-	-
Change in cash during the period	96,738	(357,167)
Cash, beginning of period	884	434,816
Cash, end of period	97,622	77,649

Supplemental disclosures with respect to cash flows (Note 13)

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

VODIS PHARMECEUTICALS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (unaudited)
(Expressed in Canadian Dollars)
THREE MONTHS ENDED SEPTEMBER 30

	SHARE CAPITAL			RESERVES				
	Number of Shares outstanding	Amount	Subscriptions received in advanced	Share-based payments	Foreign currency	Total Reserves	Deficit	Total equity
		$	**$**	**$**	**$**	**$**	**$**	**$**
Balance at March 31, 2015	**56,336,250**	**$ 2,224,805**	**$ 50,000**	**$ 432,366**	**$ -**	**$ 432,366**	**$ (2,442,135)**	**$ 265,036**
Private placement	2,260,000	226,000	(50,000)	-	-	-	-	176,000
Settlement of debt	1,858,358	186,835	-	-	-	-	-	186,835
Share issuance costs	-	(10,157)	-	3,087	-	3,087	-	(7,070)
Share-based payments	-	-	-	24,325	-	24,325	-	24,325
Loss for the period	-	-	-	-	-		(72,464)	(72,464)
Balance at September 30, 2015	**60,454,608**	**2,627,483**	**-**	**459,778**	**-**	**459,778**	**(2,514,599)**	**572,662**
Private Placements	14,514,200	1,451,420	-	-	-	-	-	1,451,420
Cash finders' fee	-	(105,620)	-	-	-	-	-	(105,620)
Finders' warrants	-	(141,982)	-	141,982	-	141,982	-	-
Other share issuance	-	(11,464)	-	-	-	-	-	(11,464)
Settlement of debt	1,772,938	408,145	-	-	-	-	-	408,145
Bonus shares	326,422	39,170	-	-	-	-	-	39,170
Cancellation or expiry of stock options	-	-	-	(181,250)	-	(181,250)	181,250	-
Share-based payments	-	-	-	437,407	-	437,407	-	437,407
Loss for the period	-	-	-	-	-	-	(2,407,951)	(2,407,951)
Exchange difference on translation	-	-	-	-	(4,186)	(4,186)	-	(4,186)
Balance at March 31, 2016	**77,068,168**	**4,267,152**	**-**	**857,917**	**(4,186)**	**853,731**	**(4,741,300)**	**379,583**
Cancellation or expiry of stock options	-	-	-	(363,731)	-	(363,731)	363,731	-
Share-based payments	-	-	-	90,301	-	90,301	-	90,301
Loss for the period	-	-	-	-	-	-	(498,928)	(498,928)
Exchange difference on translation	-	-	-	-	83,379	87,379)	-	(87,379)
Balance at September 30, 2016	**77,068,168**	**4,267,152**	**-**	**584,487**	**83,193**	**584,487**	**(4,968,062)**	**(116,423)**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Vodis Pharmaceuticals Inc. (the "Company") was incorporated under the laws of British Columbia on October 31, 2011. The Company is in the medical and recreational marijuana business. The Company's corporate office is 8788 River Road Delta, BC V4G 1B5. The registered and records office address is 1200 - 925 West Georgia Street, Vancouver, BC V6C 3L2. The Company together with its subsidiaries (collectively referred to as the "Company") is in the application stage of producing medical marijuana, and providing turnkey facilities to produce marijuana.

The condensed consolidated interim financial statements of the Company are presented in Canadian dollars unless otherwise indicated, which is the functional currency of the parent company and its subsidiaries. The subsidiaries of the Company as of September 30, 2016 are as follows:

Name of Subsidiary	Incorporation	Interest
0962559 B.C. Ltd.	British Columbia	100%
Vodis Innovative Pharmaceuticals Inc.	British Columbia	100%
Vodis USA Inc.	Washington State	100%

At the date of the condensed consolidated interim financial statements, the Company has not yet realized profitable operations and it has relied on non-operational sources of financing to fund operations. The ability of the Company to achieve its objectives, meet its ongoing obligations and recover its investments in the commercial production license process will depend on management's ability to successfully execute its business plan, achieve profitable operations and obtain additional financing, if or when required. There is no assurance that these initiatives will be successful.

These condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, or other business and financial transactions which would assure continuation of the Company's operations. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. These circumstances comprise a material uncertainty which may lend significant doubt as to the ability of the Company to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these financial statements.

The condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounts Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with 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 condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended March 31, 2016.The condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's March 31, 2016 audited consolidated financial statements.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Certain comparative figures have been reclassified to conform to current year's presentation.

3. RECENT ACCOUNTING STANDARDS

The following standard has been issued but is not yet effective:

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers is a new standard which establishes a new five-step model for revenue arising from contracts with customers. Revenue is recognized as the amount that reflects the consideration to which any entity expects to be entitled to in exchange for transferring gods or services to a customer. IFRS 15 is effective for periods beginning on or after January 1, 2018.

There are no other standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the condensed consolidated interim financial statement, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

1. *Inputs used in valuing investment properties:* The fair value of the investment properties is determined by management, using the fair value of the finance lease property, or if lower, the present value of the minimum lease payments at the inception of the lease. Changes in the input assumptions can materially affect the carrying value of the investment properties.

2. *Inputs used in the accounting for share-based payments expense in the consolidated statements of comprehensive loss:* Management uses the Black-Scholes Pricing Model for valuation of share based interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

3. *Inputs used in the accounting for finders' warrants in share capital and equity reserves*: Management uses the Black-Scholes Pricing Model for valuation of finders' warrants, which requires 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 results and equity reserves.

(Expressed in Canadian Dollars)

Critical accounting judgments

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1. *Going concern of operations:* The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used (Note 1).

2. *Lease Contracts*: The Company has entered into commercial property leases on its investment property portfolio. The Company makes judgments in determining whether certain leases, particularly those leases with long contractual terms, are operating or finance leases. The Company must assess each lease separately.

3. *Determination of provisions for income taxes and the recognition of deferred income taxes*: In assessing the probability of realizing deferred tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position 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.

5. INVESTMENT PROPERTY

Investment property consists of property leased in Bellingham, Washington State, USA ("Property"). The lease with the third party expires the earlier of one day prior to the termination of the Master Lease if the Company does not exercise the option to purchase or April 30, 2035. The property was fair valued at US$1,572,419. Rental income of $21,564 (September 30, 2015 - $Nil) was generated and operating expenses of $216,888 (September 30, 2015 - $Nil) were incurred arising from the investment property.

Investment property	**$**
Balance, March 31, 2016	1,948,505
Additions	-
Depreciation	(25,337)
Foreign exchange adjustment	(9,382)
Balance, September 30, 2016	**1,913,786**

6. NOTES PAYABLE

The Company entered into a promissory note (the "Note") with Argentas Holdings Ltd. ("Argentas"). Under the terms of the Note, Argentas advanced $100,000 to the Company. The Company must pay interest payment over five months totaling $35,000 ($35,000 paid). Unpaid principal and interest payments will accrue interest at the rate of 12% per annum or the maximum rate allowed by law, whichever is less. The principal amount together with any and all unpaid interest is payable in full on January 30, 2016. The Note is secured by a security interest to Argentas over Vodis USA's assets. In addition, Vodis USA entered into an assignment agreement with Argentas related to an Option Agreement to purchase the Property. In consideration of the loan, the Company issued 750,000 warrants, with each warrant entitling Argentas to purchase one common share of the Company at a price of $0.18 expiring July 30, 2020. The warrants will vest over a period of 6 months. Any warrants that have not vested upon the repayment in full of all amounts due under the Note, be void and of no valid or binding effect. As at March 31, 2016, the warrants were fully vested. A value of $155,570 was assigned to the warrants using the Black-Scholes option pricing model with the following assumptions: dividend yield – 0%; volatility 141.85%; risk-free interest rate – 0.82% and an expected life of 5 years.

(Expressed in Canadian Dollars)

The Company was in default and during the period ended September 30, 2016, the Company entered into a discharge agreement whereby Argentas will discharge and release the security interests granted to it pursuant to the Security Agreement and the Assignment Agreement.

Balance, April 1, 2016	$ 55,000
Addition	-
Interest	3,750
Enforcement costs and discharge fee	2,260
Payment	(61,010)
Balance, September 30, 2016	$ Nil

During the period, the Company entered into a loan agreement with Mr. Derek Good for $153,000 and Ivan Miliovski, CEO of the Company, for $81,000 (collectively, the "Lenders"). The principal loan will bear simple non-compounding interest at a rate of 12%, repayable in a single payment 12 months after the effective date of the loan agreement. The loan agreement is secured whereby the Company grants to the Lenders a Uniform Commercial Code security interest in and to all of the shares issued and outstanding of the Company's subsidiary, Vodis USA, Inc.

7. FINANCE LEASE LIABILITY

The Company, through Vodis USA, entered into a lease agreement. The lease agreement will expire the earlier of the exercise of the Option Agreement or April 3, 2020 ("Master Lease").The lease is considered a finance lease. Using an interest rate of 6%, the present value of the minimum lease payment and the payment required to exercise the option at inception was US$1,398,740 (Note 5).

The Company, through Vodis USA entered into an option to purchase agreement (the "Option Agreement") with D&B Land Holdings LLC ("D&B"), whereby Vodis USA has an option to purchase the Property. The Option Agreement has a term of 5 years. In order to keep the Option Agreement in good standing, the Company must pay the monthly lease payment of US$9,404 and monthly management fee of US$500 pursuant to a lease agreement between Vodis USA and D&B. US$150,973 was paid as an initial payment.

The Company, through Vodis USA, entered into a purchase and sale agreement with D&B, whereby the obligations under the purchase and sale agreement are conditional upon Vodis USA exercising the Option Agreement. The total purchase price will be US$1,550,000 ("Purchase Price"). All payments made under the Option Agreement will be credited towards the Purchase Price ("Applied Credits"). The purchase price will increase by US$20,000 at the end of each year following the date of the purchase and sale agreement if Vodis USA does not exercise their option to purchase the Property by the end of any one of each twelve month period up to a maximum of US$100,000 ("Purchase Price Increase"). If, at any time Vodis elects to exercise their option to purchase the Property, the amount owing under the D&B loan on the Property is greater than the Purchase Price after the Applied Payments, D&B and Vodis agree to reduce either (i) the amount owed under the promissory note with Holder or (ii) the Purchase Price Increase by the difference between the amount owed under the D&B loan and the Purchase Price.

The Company entered into a promissory note agreement where Vodis USA must pay US$250,000 as part of the payments to purchase the Property. This promissory note bears no interest, is unsecured and is payable on demand.

	$
Balance, March 31, 2016	1,809,921
Addition	-
Interest	45,010
Payment	(72,883)
Foreign exchange	(9,711)
Balance, September 30, 2016	1,772,337
Short Term	155,893
Long Term	1,616,444
	1,772,337

(Expressed in Canadian Dollars)

As at September 30, 2016, the contractual cash for the lease, including the anticipated exercise of the option to purchase at the end of year 5, are as follows:

Monthly lease payments within one year	$	153,516
Monthly lease payments after one year but not more than five years		422,169
Payment required to exercise option to purchase		1,544,998
Total payment	$	2,120,683

8. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

The following transactions were carried out with related parties:

(a) Transactions with related parties

		September 30, 2016		September 30, 2015
A law firm in which a director of the Company' subsidiary is a partner, for legal expenses	$	43,122		-
A director of the Company's subsidiary, for consulting expenses		16,111		-
	$	59,233	$	-

(b) Key management compensation

Key management includes directors (executive and non-executive) and senior officers of the Company. The compensation paid or payable to key management for employee services is shown below:

	September 30, 2016	September 30, 2015
Share-based payments	10,030	24,325

(c) Accounts receivable from related parties

		September 30, 2016		March 31, 2016
Due from a former director*	$	30,000	$	30,000
Due from entities controlled by CEO of the Company, for expenses paid and revenues charged by the Company		-		86,487
	$	30,000	$	116,487

*This amount has been re-classed to accounts receivable as at September 30, 2016

(d) Accounts payable to related parties

	September 30, 2016		March 31, 2016
Due to entities whereby directors of the Company are partners, for legal services	218,791	$	214,153
Due to a director of the Company's subsidiary, for consulting fees	-		10,821
Due to an executive director, for operating expenses	42,262		125,885
Due to a director			
	261,053	$	350,859

(Expressed in Canadian Dollars)

9. SHARE CAPITAL

(a) Common shares

Changes in issued share capital and equity reserves for the period ended September 30, 2016 were $Nil.

Changes in issued share capital and equity reserves for the period ended September 30, 2015 were as follows:

(i) The Company completed a non-brokered private placement of 2,260,000 common shares at a price of $0.10 per share for gross proceeds of $226,000. The Company paid a finders' fee of $7,070, incurred other share issuance costs of $1,820 and issued 70,700 non-transferable warrants. ("Finders' Warrants"). Each Finders' Warrant will entitle the holder to purchase one additional common share of the Company at a price of $0.25 expiring on April 13, 2017. The Finders' Warrants were recorded at a fair value of $5,669.

(ii) The Company entered into several debt settlement agreements whereby the Company issued 1,858,358 common shares with a fair value of $353,088 ($0.19 per share) for settlement of payables totalling $185,836. 1,371,052 common shares with a value of $260,500 ($0.19 per share) were issued to an executive director of the Company for settlement of payable totalling $137,105. A loss on settlement of $167,252 was recognized in comprehensive loss.

(b) Stock option plan

The Company has an incentive stock option plan under which it is authorized to grant options to executive officer, directors, employees and consultants enabling them to acquire up to 9,710,000 common shares. The exercise price of each option shall not be less than the discounted market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors, except for options granted to persons providing investor relations activities that will vest in stages over twelve months with no more than one quarter vesting in any three month period. All options are to be settled by physical delivery of shares.

Stock option transactions and the number of stock options outstanding are summarized as follows

	Number of Options		Weighted Average Exercise Price
Balance at March 31, 2016	3,500,000	$	0.210
Granted	1,500,000	$	0.045
Cancelled	(1,900,000)	$	0.295
Balance at September 30, 2016	3,000,000	$	0.119
Exercisable at September 30, 2016	3,000,000	$	0.119

As at September 30, 2016, the following stock options were outstanding:

Exercise Price	Number of Shares Issuable on Exercise	Expiry Date
$0.045	1,500,000	September 14, 2021
$0.15	250,000	October 22, 2017
$0.15	750,000	October 22, 2017
$0.19	500,000	January 06, 2021
	3,000,000	

(Expressed in Canadian Dollars)

(c) Share-based payments

The share-based payments expense for the period was $90,301 (September 30, 2015 - $100,532). Fair value at grant date of the stock option plan was measured based on the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility.

(d) Warrants

At September 30, 2016, warrants were outstanding enabling holders to acquire the following number of shares:

Issued date	Balance, April 1, 2016	Issued	Exercise price $	Balance, September 30, 2016	Expiry date
March 31, 2015	322,000	-	0.25	322,000	March 31, 2017
April 13, 2015	70,700	-	0.25	70,700	April 13, 2017
July 30, 2015	750,000	-	0.18	750,000	July 30, 2020
September 30, 2015	3,409,200	-	0.15	3,409,200	September 30, 2017
November 6, 2015	217,000	-	0.10	217,000	November 6, 2017 *
November 20, 2015	432,500	-	0.10	432,500	November 20, 2017 *
December 17, 2015	351,000	-	0.10	351,000	December 17, 2017
	5,552,400	-		5,552,400	

* exercised subsequent to the period ended September 30, 2016

10. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital structure to reduce to the cost of capital. The Company's capital is composed of equity in the statement of financial position.

The Company is not subject to externally imposed capital requirements. In managing capital structure, the company manages its capital through regular reports to the Board of Directors, as well as management review of monthly or quarterly financial information. The Company issues new equity financing as needed and available. Additional information relating to capital management is given in the nature and continuance of operations in note 1.

11. FINANCIAL INSTRUMENTS

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity, credit, currency, interest rate, and price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend upon equity capital and possibly loans to finance its activities. The Company manages liquidity risk through its capital management as outlined in Note 11 above.

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument or customer contract fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The Company is directly exposed to credit risk from its receivables. The Company maximum exposure to credit risk is limited to the carrying amount of financial assets recognized as at September 30, 2016.

The majority of the Company's cash is held with major Canadian based financial institutions.

(Expressed in Canadian Dollars)

Currency Risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Company and its subsidiaries did not enter into significant transactions that were not denominated in their functional currencies and is therefore not expose to currency risks.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current cash is generally not exposed to interest rate risk because of their short-term maturity. The Company's other financial instruments have interest at fixed rates and therefore not exposed to interest rate risk.

Price Risk

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices. The Company is not exposed to price risk.

Fair Value

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

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

The fair values of cash is based on level 1 of the fair value hierarchy.

12. SEGMENTED INFORMATION

The Company operates in one business segment, marijuana industry. Geographic information is as follows:

September 30, 2016	**Canada**	**United Sates**	**Total**
Leasehold improvements	599,475	361,528	960,999
Investment property	-	1,913,786	1,913,786
Other assets	321,483	9,3434	330,817
Total assets	$ 857,316	$ 2,284,647	$ 3,205,602

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	September 30, 2016	September 30, 2015
Cash paid during the period for interest	25,863	-
Cash paid during the period for income taxes	-	-

There were no significant non-cash transactions for the periods ending September 30, 2016 and September 30, 2015.

14. EVENTS AFTER REPORTING PERIOD

On November 09, 2016 the Company completed a private placement of 20,006,000 units of the Company at a price of $0.065 for total gross proceeds of $1,300,390. Each unit is comprised of one common share and one share purchase warrant exercisable at $0.08 for two years from the date of closing.

On November 21, 2016 the Company issued 5,150,000 stock options to directors, officers and consultants to purchase up to a total 5,150,000 common shares, exercisable at a price of 26 cents per share