Acana Capital Corp.
(Formerly Ameri-Can Agri Co. Inc.)

Consolidated Financial Statements

Year ended September 30, 2016

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Acana Capital Corp.,

We have audited the accompanying consolidated financial statements of Acana Capital Corp., which comprise the consolidated statements of financial position as at September 30, 2016 and 2015, and the consolidated statements of comprehensive loss, cash flows, and changes in equity for the years then ended, 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Acana Capital Corp. as at September 30, 2016 and 2015, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt on Acana Capital Corp.'s ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
January 30, 2017

Acana Capital Corp. (formerly Ameri-Can Agri Co. Inc.)

Consolidated statements of financial position

(Expressed in Canadian Dollars)

	Note	September 30, 2016	September 30, 2015
		$	$
Assets			
Current assets			
Cash		31,487	973,823
Marketable securities	5	3,535,311	677,000
Other receivable		2,715	3,857
		3,569,513	1,654,680
Non-current			
Biological Assets	6	-	3,144,217
Equipment	7	-	997,661
Properties	8	6,663,162	11,024,753
Total assets		10,232,675	16,821,311
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	9	214,123	613,790
Note payable	10	160,000	220,935
Due to related party	12	2,553,972	3,606,220
		2,928,095	4,440,945
Non-current liabilities			
Debenture	12	3,280,777	7,051,914
Notes payable	10	262,340	267,800
Total liabilities		6,471,212	11,760,659
Shareholders' equity			
Share capital	11	2,509,793	2,484,793
Reserves	11	(297,313)	1,170,365
Deficit		1,548,983	(1,581,419)
Equity attributed to shareholders		3,761,463	2,073,739
Non-controlling interests	2,4	-	2,986,913
Total Equity		3,761,463	5,060,652
Total liabilities and shareholders' equity		10,232,675	16,821,311

Nature of operations and going concern (Note 1)

Approved and authorized for issuance by the Board of Directors on January 28, 2017

"Rajen Janda"	*"Sonny Janda"*
Director	Director

See accompanying notes to the consolidated financial statements

Acana Capital Corp. (formerly Ameri-Can Agri Co. Inc.)
Consolidated statements of income (loss)
(Expressed in Canadian Dollars)

	Note	Year ended September 30, 2016	From October 17, 2014 (Incorporation) to September 30, 2015
		$	$
Rental income	9	375,840	282,847
Rental expenses		46,539	42,025
		329,301	240,822
Operating expenses			
Amortization		77,287	59,305
Consulting		58,070	63,536
Office and administration		115,060	13,301
Property development		–	3,751
Professional fees		17,448	13,759
Filing fees		20,374	7,439
Total operating expenses		288,239	161,091
Income (loss) from operation:		41,062	79,731
Change in fair value of marketable securities	6	2,238,385	441,000
Gain on warrants	6	31,295	–
Gain on disposition of marketable securities	6	39,700	–
Gain on disposition of property	9	51,937	–
Gain on disposition of subsidiary	4	1,418,681	–
Consulting revenue	13	43,500	4,500
Recovery of bad debt	13	112,281	–
Interest expense - note	11	(42,595)	(10,198)
Interest expense - debenture	13	(695,933)	(528,984)
Impairment of properties	8	–	(394,881)
Write down of receivable		–	(100,000)
Income (loss) before income taxes		3,238,313	(508,832)
Income tax expenses	17	(33,678)	–
Deferred tax expenses	17	(11,855)	–
(Income) loss from continued operations		3,192,780	(508,832)
Loss from discounted operations	4	(99,165)	(2,145,175)
Income (loss) for the year		3,093,615	(2,654,007)
Net income (loss) attributable to:			
Equity holders of the Company		3,143,198	(1,581,419)
Non-controlling interests		(49,583)	(1,072,588)
		3,093,615	(2,654,007)
Loss per share attributable to the equity holders of the Company			
Earnings (loss) per share, basic and diluted		0.07	(0.04)
Weighted average number of outstanding shares, basic and diluted		48,234,172	41,519,085

See accompanying notes to the consolidated financial statements

Acana Capital Corp. (formerly Ameri-Can Agri Co. Inc.)

Consolidated statements of comprehensive income (loss)

(Expressed in Canadian Dollars)

	Year ended September 30, 2016	From October 17 , 2014 (Incorporation) to September 30, 2015
	$	$
Income (loss) for the year	3,093,615	(2,654,007)
Other comprehensive loss:		
Foreign currency translation adjustment	(184,788)	1,170,365
Comprehensive income (loss)	2,908,827	661,533
Other comprehensive income (loss) attributable to:		
Equity holders of the Company	(184,788)	1,170,365
Non-controlling interests	–	276,380
	(184,788)	1,446,745
Comprehensive income (loss) attributable to:		
Equity holders of the Company	2,958,410	(411,054)
Non-controlling interests	(49,583)	(796,208)
	2,908,827	(1,207,262)

See accompanying notes to the consolidated financial statements

Acana Capital Corp. (formerly Ameri-Can Agri Co. Inc.)

Condensed consolidated interim statements of cash flows

(Expressed in Canadian Dollars)

	Year ended September 30, 2016	From October 17, to September 30, 2016
Cash (used in) provided by:	$	$
Operating activities		
Income (loss) for the period	3,130,402	(2,654,007)
Items not involving cash :		
Amortization	147,478	96,422
Unrealized change in fair value - marketable securities	(2,269,680)	(441,000)
Recovery of impaired promissory note	(100,000)	-
Gain on disposition of subsidiary	(1,418,681)	-
Gain on sale of marketable securities	(39,700)	-
Gain on sale of property	(43,191)	-
Write doen of receivables	-	2,198,398
Impairment of properties	-	394,881
Non-cash interest expense	715,282	539,182
Changes in non-cash operating working capital		
Due to related party	847,507	1,026,467
Other receivables and prepaid	1,142	(1,804,517)
Accounts payable and accrued liabilities	214,027	36,832
Cash provided by (used in) operating activities	1,184,586	(607,342)
Investing activities		
Acquisition of short-term investment	(591,011)	(236,000)
Acquisition of cash - Arrangement	-	47,951
Proceeds from sale of marketable securities	42,080	-
Proceeds from recovery of impaired promissory note	100,000	-
Additional of development cost and properties	(18,871)	(242,934)
Loan receivable	-	(100,000)
Cash used in investing activities	(467,802)	(530,983)
Financing activities		
Proceeds from issuance of promissory note	160,000	-
Cash indebtedness disposed on sale on JD LP	82	-
Issuance of shares for cash	25,000	1,740,000
Cash provided by financing activities	185,082	1,740,000
Effect of holding cash in foreign currency	(1,844,202)	372,148
Increase (decrease) of cash	(942,336)	973,823
Cash, beginning	973,823	-
Cash, end	31,487	973,823
Supplementary information:		
Cash paid for interest	–	1,730
Cash paid for income taxes	–	–

See accompanying notes to the consolidated financial statements

Acana Capital Corp. (formerly Ameri-Can Agri Co. Inc.)
Consolidated statements of changes in equity
(Expressed in Canadian Dollars except for number of shares)

		Common shares		Reserve				
	Note	Number	Amount	Translation gain (loss)	Retained earnings	Equity attributed to the equity holders of the Company	Non-controlling interests	Total equity
			$	$	$	$	$	$
October 17, 2014, date of inception		1	1	–	–	1	-	1
Completion of Arrangement	**3**	30,646,671	744,792	–	–	744,792	1,982,462	2,727,254
Unit issuance for cash	**11**	15,000,000	1,500,000	–	–	1,500,000	–	1,500,000
Warrant exercise	**11**	2,400,000	240,000	–	–	240,000	–	240,000
Translation from subsidiaries		–	–	1,170,365	–	1,170,365	276,380	1,446,745
Contribution from minority interest		–	–	-	–	-	1,800,659	1,800,659
Net loss		–	–	–	(1,581,419)	(1,581,419)	(1,072,588)	(2,654,007)
September 30, 2015		**48,046,672**	**2,484,793**	**1,170,365**	**(1,581,419)**	**2,073,739**	**2,986,913**	**5,060,652**
Recycle to profit and loss - disposition of JDLP		-	-	-	-	-	(2,986,913)	(2,986,913)
Translation from subsidiaries		-	-	(1,467,678)	-	(1,467,678)	-	(1,467,678)
Warrant exercise	**11**	250,000	25,000	-	-	25,000	-	25,000
Net income (loss)		-	-	-	3,130,402	3,130,402	-	3,130,402
September 30, 2016		**48,296,672**	**2,509,793**	**(297,313)**	**1,548,983**	**3,761,463**	**-**	**3,761,463**

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Acana Capital Corp., formerly Ameri-Can Agri Co. Inc., ("Acana" or the "Company") was incorporated on October 17, 2014 in British Columbia. The Company changed its name on February 8, 2016. The Company's principal activity is the acquisition and development of real estate and farming properties. The Company's head office is located at Suite 200 – 8338 120th Street, Surrey, BC, V3W 3N4. On January 1, 2015 the Company was spun out from its former parent company, Mag One Products Inc. ("Mag One"). The Company's shares are traded on Canadian Securities Exchange ("CSE") under the symbol ACM.

Going concern

These consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at September 30, 2016, the Company is not able to finance its day to day activities through operations. The Company's continuation as a going concern is dependent whether the Company can be developed into a viable business and continued support from the Company's related persons. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for financial instruments measured at their fair value, and are presented in Canadian dollars, unless otherwise noted.

These consolidated financial statements incorporate the accounts of the Company and its controlled subsidiaries. Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Name	Country of incorporation/formation	Ownership as at September 30,	
		2016	2015
* JDLP LLP ("JDLP")	USA	Nil	50%
Ameri-Can Agri Co. ("Agri")	USA	100%	100%
Acana Capital LLC. ("Acana")	USA	100%	100%

* *During the year ended September 30, 2016, the Company disposed its 50% interest of JDLP (Note 4).*

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates where there is significant risk of material adjustments to assets and liabilities in future accounting periods include fair value measurements for financial instruments, fair value of properties and biological assets, useful life of equipment and the recoverability and measurement of deferred tax assets.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements is the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty, the determination of the functional currencies of the parent and each subsidiary, and the classification of financial instruments.

Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Fair value through profit or loss ("FVTPL") - Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. They are subsequently measured at fair value with changes in fair value recognized in profit or loss. The Company classifies its marketable securities as value through profit or loss financial assets.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company has designated its cash and other receivable as loan and receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities and that the Company intends to hold to maturity. These assets are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company does not hold any held-to-maturity financial assets.

Available-for-sale – These consist of non-derivative financial assets that are designated as available-for sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company does not hold any available-for-sale financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Functional currency and foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. These consolidated financial statements are presented in Canadian dollars which is the parent company’s functional currency. The functional currency of all of the Company’s US subsidiaries is the US dollar.

<u>Transactions and balances:</u>

Foreign currency transactions will be translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional currency and foreign currency translation (continued)

Transactions and balances: (continued)

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency will be translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded to the Company's other comprehensive loss.

Biological assets

The Company records its biological assets as cost less accumulated amortization, unless the fair value of the biological assets can be measured reliably. Cost consists of costs incurred planting and farming costs incurred until the point that such trees begin producing. Cost less residual value, if any, is amortized over the estimated useful life biological assets which management estimates is 50 years. If fair value can be measured reliably, biological assets are measured at fair value less cost to sell with gains and losses recorded in profit or loss. No amortization is taken before the biological assets are ready for use.

Properties

Properties are comprised of parcels of lands used for real estate projects which are developed, to be developed, or are in development, and two parcels of land that are being used for agricultural activity.

The Company account for all the lands and buildings in connection with the Company's real estate projects in accordance with IAS 40 - Investment Property. The Company capitalizes the acquisition and expenses development costs in the period in which they were incurred.

The Company amortizes its properties once they are available for use at 39 years straight line (commercial real estate properties).

Equipment

Equipment is comprised solely of the watering system used for farming purpose in connection with the Company's biological assets. Cost consists of acquisition installation and delivery. Cost less residual value, if any, is amortized on straight basis over the estimated useful life of 15 years.

Impairment of assets

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets (continued)
The Company amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Revenue Recognition
Rental income is recognized when:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the lease will flow to the Company;
- the stage of completion of the lease at the end of the reporting period can be measured reliably; and
- the costs incurred for and to complete the lease can be measured reliably.

Warrants
Proceeds from issuances of security units by the Company consisting of shares and warrants are allocated based on the residual method. The fair value of the warrants is determined to be the difference between gross proceeds over the fair market value of the shares. If the proceeds from the offering are less than or equal to the fair market value of shares issued, a fair value of $Nil is assigned to the warrants.

Common-control transaction
Since the shareholders of the Company and Mag One upon close of the Arrangement were the same, the transaction was deemed a common-control transaction. As such, the assets and liabilities assumed by Company, including cash, other receivables, properties, accounts payable and accrued liabilities, amounts due to related parties, and the note payable, were originally recognized on the date of the Arrangement at the carrying value of the assets and liabilities according to the records of Mag One.

Income taxes
Current income tax:
Current income tax assets and liabilities for the period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes (continued)

Deferred tax:
Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

New Accounting Standards and Interpretations
IFRS 9 Financial Instruments ("IFRS9") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 will be effective January 1, 2018. Earlier adoption is permitted. The Company is in the process of assessing the impact of this standard on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued and have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. CORPORATE RESTURCTING

On January 1, 2015, the Company and Mag One Products Inc. ("Mag One") entered into a plan of arrangement in order to proceed with a corporate restructuring (the "Arrangement"), whereby Mag One transferred the ownership of its 50% interest in JDLP, Agri and Acana, to the Company in return for 30,646,671 common shares of the Company ("Ameri-Can Shares") with a fair value of $744,792. Ameri-Can Shares were distributed to the shareholders of Mag One on a pro-rata basis based on their relative shareholdings of Mag One upon the completion of the Arrangement (March 11, 2015), and the Company ceased to be a subsidiary of Mag One.

(Expressed in Canadian dollars)

3. CORPORATE RESTURCTING (Continued)

	$
Assets acquired by the Company	
Cash	47,951
Other receivable	260,345
Biological assets (Note 6)	508,312
Properties (Note 8)	9,393,747
Liabilities assumed by the Company	
Accounts payable and accrued liabilities	(75,622)
Debenture	(7,051,914)
Due to related parties	(163,719)
Note payable	(191,846)
Interest held by minority interest	(1,982,462)
Net assets acquired	744,792

The Arrangement received the approval and completed on March 11, 2015.

4. DISPOSITION OF JDLP

During the year ended September 30, 2016, the Company entered into a purchase agreement with Crocker Acana LLC, whereby the Company agreed to sell its 50% interest in the JDLP partnership in exchange for US$2,875,000.

	$
Proceeds	3,711,138
Assets disposed by the Company	
Farming equipment	909,849
Biological assets (Note 6)	3,152,651
Properties (Note 8)	3,907,448
Liabilities assumed by the Company	
Bank indebtedness	(79)
Accounts payable and accrued liabilities	(2,680,082)
Net assets disposed of	5,289,787
NCI at date of disposal	2,937,330
Gain on disposal	(1,418,681)

(Expressed in Canadian dollars)

5. MARKETABLE SECURITIES

As at September 30, 2016 and 2015, the Company's marketable securities comprise of shares and share purchase warrants of public companies. The fair value of warrants is determined using a Black–Scholes pricing model.

September 30, 2016	**Cost**	**Unrealized Gain**	**Fair value**
	$	$	$
Common shares	870,192	2,234,748	3,104,940
Warrants	-	430,371	430,371
	870,192	2,665,119	3,535,311

September 30, 2015	**Cost**	**Unrealized Gain**	**Fair value**
	$	$	$
Common shares	236,000	224,000	460,000
Warrants	-	217,000	217,000
	236,000	441,000	677,000

The fair value of the warrants was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	September 30, 2016	**September 30, 2015**
Expected life of warrants	4.72	3.75
Annualized volatility	195%	123%
Risk-free interest rate	0.62%	0.66%
Dividend rate	0%	0%

During the year ended September 30, 2016, the Company acquired common shares and warrants (cost - $419,970 and fair value - $917,020) of public companies that have directors or officers common with the Company.

6. BIOLOGICAL ASSETS

During the year ended September 30, 2016, the Company disposed its 50% interest of its controlled subsidiary JDLP. As a result, the immature non-current biological assets which were comprised of plantation bearer assets of walnut trees planted on the Company's properties located at 106 Glenn and 860 Corning (collectively the "Corning Properties") were disposed of:

Continuity of the cost of the biological assets are as follows:

	September 30, 2015	**Additions**	**Effect of foreign exchange**	**Disposal**	**September 30, 2016**
	$	$	$	$	$
Deferred farming costs (Note 9 and 12)	3,144,217	65,050	(56,616)	(3,152,651)	-

(Expressed in Canadian dollars)

7. EQUIPMENT

During the year ended September 30, 2016, the Company disposed of its 50% interest in JDLP, thus all of the Company's equipment that were used previously for farming operations were disposed of:

Cost:	$
At October 17, 2014	-
Additions	1,036,479
At September 30, 2015	1,036,479
Additions	74,313
Foreign exchange adjustment at disposal	(20,898)
Disposal	(1,089,894)
At September 30, 2016	-
Amortization:	
At October 17, 2014	-
Charge for the period	(36,605)
At September 30, 2015	(36,605)
Charge for the period	(70,193)
Foreign exchange adjustment at disposal	471
Disposal	106,327
At September 30, 2016	-
Foreign exchange adjustment at September 30, 2015:	(2,213)
Foreign exchange adjustment at September 30, 2016:	-
Net book value:	
At September 30, 2015	997,661
At September 30, 2016	-

8. PROPERTIES

All of the properties were transferred from Mag One in accordance with the Arrangement on January 1, 2015 (Note 3). Properties have been valued using the cost method, as the fair value of the properties cannot be reliably measured. Continuity is as follows:

	September 30, 2015	Additions	Disposition	Accumulated amortization	Effect of foreign exchange	September 30, 2016
	$	$	$	$	$	$
48th Ave Land	262,415	-	-	-	(5,351)	257,064
49th Ave Land	98,170	-	-	-	(2,001)	96,169
6565 Lang Ave	303,411	19,767	-	-	(6,186)	316,992
106 Glenn	615,145	-	(602,741)	-	(12,404)	-
860 Corning	3,364,829	-	(3,296,980)	-	(67,849)	-
Vineyard Plaza	2,965,056	-	-	-	(60,452)	2,904,604
Bader Road Lot	370,047	-	(181,293)	-	(7,502)	181,252
Tuscon Building	3,045,680	-	-	(77,287)	(61,312)	2,907,081
Total	11,024,753	563,623	(4,081,014)	(77,287)	(223,057)	6,663,162

(Expressed in Canadian dollars)

8. PROPERTIES (Continued)

	January 1, 2015	Additions	Impairment	Accumulated amortization	Effect of foreign exchange	September 30, 2015
	$	$	$	$	$	$
48th Ave Land	-	236,584	-	-	25,831	262,415
49th Ave Land	-	96,923	-	-	1,247	98,170
6565 Lang Ave	-	283,742	-	-	19,669	303,411
106 Glenn	534,151	-	-	-	80,994	615,145
860 Corning	2,921,798	-	-	-	443,031	3,364,829
Vineyard Plaza	2,919,947	-	(394,881)	-	439,990	2,965,056
Bader Road Lot	321,325	-	-	-	48,722	370,047
Tuscon Building	2,696,526	-	-	(59,719)	408,873	3,045,680
Total	9,393,747	563,623	(4,081,014)	(77,287)	1,468,357	11,024,753

106 Glenn and 860 Corning were disposed when 50% of JDLP was sold (Note 4).

Vineyard Plaza: Vacant land located in Sacramento County, California, USA, and is intended for commercial buildings development.

48 Ave Land: Vacant land which is intended for multi-family development.

49 Ave Land: Vacant land which is intended for multi-family development.

6565 Lang Avenue: Vacant land which is intended for multi-family development.

Bader Road Lot: Vacant land located in Elk Grove, California, USA which is intended for multi-family residential development. During the year ended September 30, 2016, the Company sold 50% of the Bader Road Lot for repayment of the note payable, principal and accrued interest, secured by the Bader Road Lot and recorded a gain of $43,191 (Note 10).

Tuscon building: This is an industrial building located in 5575 S Houghton St., Tuscon, Arizona. This property is leased out for three years commencing January 1, 2015 to December 31, 2017 for US$20,000 per month.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

September 30,	**2016**	**2015**
Trade payables	$ 170,966	$ 590,312
Interest payable (Note 9, 11)	28,157	12,478
Accrued liabilities	15,000	11,000
	$ 214,123	$ 613,790

(Expressed in Canadian dollars)

10. NOTES PAYABLE

As at September 30, 2015, the Company had the following notes payable:

Principal	Current	Non-Current	Interest	Terms	Security
US$	$	$	$		
165,000(i)	220,935	-	8,795	Interest of 4% per annum, maturing on June 26, 2016	Bader Road Lot
100,000	-	133,900	2,054	Interest of 4% for the first 2 years and 5% per annum thereafter, maturing on May 19, 2019	48th Ave Land
100,000	-	133,900	1,629	Interest of 4% per annum maturing on July 1, 2018	6565 Lang Avenue
365,000	220,935	267,800	12,478		

(i) Principal and interest has been fully repaid during the year ended September 30, 2016.

As at September 30, 2016, the Company had the following notes payable:

Principal	Current	Non-Current	Interest	Terms	Security
US$	$	$	$		
-	160,000	-	1,090	Two payable on-demand notes with interest from 3 to 5% per annum	Un-secured
100,000	-	131,170	7,259	Interest of 4% for the first 2 years and 5% per annum thereafter, maturing on May 19, 2019	48th Ave
100,000	-	131,170	6,843	Interest of 4% per annum maturing on July 1, 2018	6565 Lang Avenue
200,000	160,000	262,340	15,192		

Interest accrued of $15,192 (Note 9) is included in accounts payable and accrued liabilities as at September 30, 2016.

During the year ended September 30, 2016, the Company borrowed from an arm's length party an amount of $1,000,000. The principal of $1,000,000 and interest of $25,000 was fully repaid as at September 30, 2016.

(Expressed in Canadian dollars)

11. SHARE CAPITAL

Authorized
Unlimited number of common shares and preferred shares without par value.

Issued
In March 2015, the Company issued 30,646,671 common shares upon the completion of the Arrangement with fair value of $744,792 (Note 3).

On March 11, 2015, the Company completed a private placement for the issuance of 15,000,000 units for gross proceeds of $1,500,000. Each unit is comprised of one common share and one share purchase warrant of the Company. Each share purchase warrant can be exercised into one common share at $0.10 until March 11, 2020. The fair value of the warrants was determined to be $Nil. 10,500,000 common shares issued from this private placement are under escrow and will be released as follows: 25% on March 11, 2015, 25% on September 11, 2015, 25% on March 11, 2016, and 25% on September 11, 2016.

2,400,000 of the above share purchase warrants were exercised into 2,400,000 common shares of the Company for proceeds of $240,000 during the year ended September 30, 2015.

During the year ended September 30, 2016, another 250,000 of the above warrants were exercised into 250,000 common shares of the Company for $25,000.

Warrants

	Number of Warrants	Exercise price	Expiry date
Balance, October 17, 2015	-	-	
Granted	15,000,000	$0.10	March 11, 2020
Exercised	(2,400,000)	$0.10	March 11, 2020
Balance, September 30, 2015	12,600,000	$0.10	
Exercised	(250,000)	$0.10	
Balance, September 30, 2016	12,350,000	$0.10	March 11, 2020

As at September 30, 2016, warrants outstanding have a weighted average life of 3.45 years and average exercise price of $0.10.

Foreign currency translation reserve
The foreign currency translation reserve records unrealized exchange differences arising on translation of foreign operations that have a functional currency other than the Company's reporting currency.

12. RELATED PARTY TRANSACTIONS

Key Management Compensation

Fees paid to the Company's former CEO during the year ended September 30, 2016 was $25,000 (2015 - $Nil)

Fees paid to the Company's CEO during the year ended September 30, 2016 was $5,000 (2015 - $Nil).

Debenture

As at September 30, 2016, the Company had a debenture of principal of $3,280,776 (the"Debenture') payable to to the Company's former CEO and his spouse (2015 - $7,051,914) The Debenture bears interest at 10% per annum, is due on March 25, 2018 and is secured against all of the Company's interests in the US. The Company has repaid $3,771,137 during the current year.

In addition to the interest, the holder of the Debenture is also entitled to the following:

- a bonus of $400,000 upon the Company having earned its first net income of $1,000,000 from its operations;
- another bonus of $400,000 upon the Company having earned its second net income of $1,000,000 from its operations**.**

Agent

The Company contracted a company in which a director is a member of the Company's key management personnel (the "Agent") to provide farming services on its biological assets and to provide management services/ also collecting rent associated with its rental properties on behalf of the Company.

Receivable

During the year ended September 30, 2016, the Company received a repayment of $112,281 for a promissory note receivable from a company with directors and officers in common. This receivable was fully impaired in 2015 (principal of $100,000 plus accrued interest of $12,281). As a result, the Company recorded a gain from recovery of $100,000 and other income of $12,281.

Due to related parties

As at September 30, 2016, the Company had the following balance owing to the related parties:

- $Nil due to the former CEO of the Company and his spouse (2015 - $557,245)
- $300,000 promissory note payable to a relative of the CEO (2015 - $Nil). This promissory note has an interest of 6% per annum and is payable on demand. $4,500 interest payable (2015 - $Nil) has been included in the Company's accounts payable (Note 8)
- Accrued interest of $1,218,391 in connection with the Debenture (2015 -$528,947)
- $636,655 owing from the Agent (2015 - $2,513,333 owing to the Agent)
- $Nil owing to the CFO (2015 - $6,695)

These amounts owing are unsecured, non-interest bearing, due on demand.

Other income

During the year ended September 30, 2016, the Company charged a company with a common director consulting fees of $40,000 for incidental services rendered, which was included in the Company's other income.

(Expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

<u>Credit risk</u>

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's primary exposure to credit risk is on its cash which is held in bank accounts. As most of the Company's cash is held by two banks, there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its sale taxes receivable from the Canadian government; as such, the credit risk is minimal.

<u>Liquidity Risk</u>

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Market risk includes foreign exchange risk, interest rate risk, and price risk as well as factors specific to an individual investment or its issuer or risk specific to a certain market. Market risk is managed principally through diversification of investments. Management monitors the overall market risk position on a quarterly basis

<u>Price Risk</u>

The Company is exposed to price risk in relation to listed marketable securities held at FVTPL. A 10% change in the market would result in a change of approximately $154,000 to comprehensive loss. Management regularly reviews the expected returns from holding such investment on an individual basis.

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	September 30, 2016	**September 30, 2015**
Loans and receivables:	$	$
Cash	31,487	973,823
FVTPL:		
Marketable securities	3,535,311	677,000

(Expressed in Canadian dollars)

13. FINANCIAL INSTRUMENTS (Continued)

Financial liabilities included in the statement of financial position are as follows:

	September 30, 2016	September 30, 2015
Non-derivative financial liabilities:	$	$
Trade payables	170,966	590,312
Interest payable	28,157	12,478
Due to related parties	2,553,922	3,606,220
Debenture	3,280,777	7,051,914
Notes payable	422,340	488,735
	6,456,162	11,749,659

Fair Value

The fair values of the Company's financial assets and liabilities approximates the carrying amounts either due to their short-term nature or because the interest rates applied to measure their carrying amount approximate current market rates.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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.

September 30, 2015:	Level 1	Level 2	Level 3
	$	$	$
Marketable Securities (Note 4)	460,000	217,000	-

September 30, 2016:	Level 1	Level 2	Level 3
	$	$	$
Marketable Securities (Note 4)	3,104,940	430,371	-

14. SEGMENTS

Operating segments
The Company operates in a single reportable operating segment which is the acquisition and development of properties and biological assets in the US.

Geographic segments
All of the Company's non-current assets are located in the US and all revenue is earned in the US.

(Expressed in Canadian dollars)

15. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the development of its properties and biological assets and to sustain future development of the business. The capital structure of the Company consists of working and share capital.

There are no restrictions on the Company's capital. There were no changes in the Company's approach to capital management during the year.

16. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

September 30,	**2016**	**2015**
		$
Net loss before income taxes	3,130,402	(2,654,007)
Statutory tax rate	26%	26%
Expected income tax recovery at the statutory tax rate	813,905	(690,042)
Non-deductible expenses	(295,058)	(57,330)
Foreign exchange and other	311,336	(608,315)
Changes in valuation allowance	(830,182)	1,355,687
Income tax recovery	-	-

The Company has the following deferred tax assets (liabilities) differences for which no deferred tax asset has been recognized:

September 30,	**2016**	**2015**
	$	$
Non-capital loss carry-forwards	984,795	831,669
Marketable securities	(459,290)	(57,330)
Properties	-	581,348
Deferred tax assets	525,505	1,355,687

The Company's has approximately $1,358,537 in Canadian non-capital tax losses and approximately $1,416,158 in US non-capital tax losses which will expire in 2035-2036.