Invictus MD Strategies Corp.

Condensed Interim Consolidated Financial Statements

For the nine months ended October 31, 2016 and 2015

(Expressed in Canadian Dollars)

Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The management of Invictus MD Strategies Corp. (the "Company") is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor. These unaudited condensed consolidated interim financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the financial position, results of operations and cash flows.

"Dan Kriznic"	"Aaron Bowden"
Dan Kriznic Director	Aaron Bowden Director

December 29, 2016

Invictus MD Strategies Corp.

Condensed interim consolidated statements of financial position
(Unaudited - Expressed in Canadian dollars)

	October 31, 2016 $	January 31, 2016 $
Assets		
Current assets		
Cash	1,893,230	237,653
Accounts receivable (Note 4)	833,463	1,453,650
Prepaid expenses and other	30,735	56,530
Inventory (Note 5)	810,380	853,652
Assets held for sale (Note 8)	–	4,786,591
Total current assets	3,567,808	7,388,076
Non-current assets		
Property and equipment (Note 6)	215,713	62,499
Intangible assets (Note 7)	1,028,621	861,150
Total non-current assets	1,244,334	923,649
Total assets	4,812,142	8,311,725
Liabilities and shareholders' equity		
Current liabilities		
Bank indebtedness (Note 9)	120,436	470,662
Accounts payable and accrued liabilities (Note 10)	354,983	1,151,411
Total current liabilities	475,419	1,622,073
Non-current liabilities		
Convertible loan (Note 11)	–	207,200
Deposit	–	50,000
Liabilities associated with assets held for sale (Note 8)	–	519,000
Total non-current liabilities	–	776,200
Total liabilities	475,419	2,398,273
Shareholders' equity		
Share capital (Note 13)	4,370,958	3,875,263
Contributed surplus	1,022,315	384,539
Equity portion of convertible loan (Note 11)	68,361	68,361
Deficit	(2,925,247)	(698,014)
Equity attributable to owners of the Company	2,536,387	3,630,149
Non-controlling interest (Note 8)	1,800,336	2,283,303
Total shareholders' equity	4,336,723	5,913,452
Total liabilities and shareholders' equity	4,812,142	8,311,725

Nature of operations (Note 1)
Commitment (Note 14)
Subsequent events (Note 15)

Approved and authorized for issuance on behalf of the Board on December 29, 2016:

"Dan Kriznic"
Director

"Aaron Bowden"
Director

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

Invictus MD Strategies Corp.
Condensed interim consolidated statements of operations and comprehensive loss
For the three and nine months ended October 31, 2016 and 2015
(Unaudited - Expressed in Canadian dollars)

	Three months ended October 31, 2016 $	Three months ended October 31, 2015 $	Nine months ended October 31, 2016 $	Nine months ended October 31, 2015 $
Revenues	523,116	1,287,035	1,916,221	1,683,524
Cost of sales	237,008	822,411	832,732	1,076,152
Gross margin	286,108	464,624	1,083,489	607,372
Operating expenses				
Selling and marketing				
Investor relations	–	26,610	16,250	196,628
Sales and marketing	6,432	102,656	101,229	245,186
Travel and meals	35,693	9,410	55,400	71,719
Total selling and marketing	42,125	138,676	172,879	513,533
General and administrative				
Depreciation	10,966	–	21,049	–
Filing and transfer agent fees	1,576	12,459	18,686	31,682
Management fees and wages (Note 12)	249,168	252,725	1,341,927	387,615
Office and general	2,201	172,355	217,496	304,200
Professional fees (Note 12)	22,987	31,108	199,700	138,012
Rent	43,359	8,480	56,342	22,730
Research and development	7,164	–	7,164	–
Stock-based compensation (Note 13)	490,126	21,745	490,126	48,179
Total general and administrative	827,547	498,872	2,352,490	932,418
Net loss from operations	(583,564)	(172,924)	(1,441,880)	(838,579)
Other income (expense)				
Bargain purchase loss (Note 8)	327,092	–	(152,922)	–
Foreign exchange and other gain (loss)	(45,964)	29,253	(1,212)	(16,460)
Gain on sale of inventory	–	–	9,103	–
Interest expense	(92,800)	–	(92,800)	–
Loss on sale of SunBlaster	29,673	–	(143,414)	–
Other loss	(35,741)	–	(45,158)	–
Share of loss of equity-accounted investees	–	29,391	–	(32,629)
Total other income (expense)	182,260	58,644	(426,403)	(49,089)
Net loss and comprehensive loss for the period	(401,304)	(114,280)	(1,868,283)	(887,668)
Income (loss) attributable to:				
Owners of the Company	(606,119)	(135,423)	(2,062,143)	(906,061)
Non-controlling interest	204,815	21,143	193,860	18,393
	(401,304)	(114,280)	(1,868,283)	(887,668)
Loss per share attributable to owners of the Company, basic and diluted	(0.06)	(0.03)	(0.31)	(0.19)
Weighted average number of common shares outstanding used in the calculation of net loss attributable to owners of the Company per common share	9,616,973	5,400,783	6,748,317	4,755,598

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

Invictus MD Strategies Corp.
Condensed interim consolidated statements of changes in equity
(Unaudited - Expressed in Canadian dollars)

	Number of Shares	Share Capital $	Contributed Surplus $	Subscriptions Received $	Equity Portion of Convertible Debt $	Non-Controlling Interest $	Deficit $	Total $
Balance, January 31, 2016	4,033,429	3,875,263	384,539	–	68,361	2,283,303	(698,014)	5,913,452
Non-controlling interest (Note 8)	–	–	(133,083)	–	–	(466,917)	–	(600,000)
Dividends declared (Note 13)	–	–	–	–	–	(209,910)	(165,090)	(375,000)
Private placement	5,205,375	411,332	369,474	–	–	–	–	780,806
Shares issued per escrow agreement	1,139,243	–	–	–	–	–	–	–
Shares issued for Prestige Worldwide Holdings acquisitions	261,000	88,740	–	–	–	–	–	88,740
Share consolidation transaction fee	–	(4,377)	–	–	–	–	–	(4,377)
Stock-based compensation	–	–	401,385	–	–	–	–	401,386
Total comprehensive loss for the period	–	–	–	–	–	193,860	(2,062,143)	(1,868,284)
Balance, October 31, 2016	10,639,047	4,370,958	1,022,315	–	68,361	1,800,336	(2,925,247)	4,336,723
Balance, January 31, 2015	3,307,916	720,805	257,500	7,000	–	–	(710,091)	275,214
Shares issued for Focus Distribution acquisition	25,437	40,699	32,361	–	–	–	–	73,060
Shares issued for Prestige Worldwide Holdings acquisitions	171,000	239,400	–	–	–	–	–	239,400
Shares issued for Cannabis Health acquisition	100,000	170,000	48,045	–	–	–	–	218,045
Shares issued for consultation services relating to Future Harvest acquisition	275,000	371,250	–	–	–	–	–	371,250
Shares issued for Edison Vape acquisition	346,667	1,180,000	–	–	–	–	–	1,180,000
Non-controlling interest	–	–	–	–	–	724,367	–	724,367
Shares issued for consultation services	5,000	7,500	–	–	–	–	–	7,500
Shares issued for advisory services related to Future Harvest Development acquisition	4,085	6,128	–	–	–	–	–	6,128
Stock-based compensation	–	–	48,179	–	–	–	–	48,179
Shares issued for loan	33,333	50,000	–	–	–	–	–	50,000
Shares issued for debt	11,440	14,300	–	–	–	–	–	14,300
Exercise of warrants	475,000	285,000	–	–	–	–	–	285,000
Private placements (net of share issuance costs)	1,055,400	1,315,160	234,381	(7,000)	–	–	–	1,542,541
Issuance of convertible debt	–	–	–	–	68,361	–	–	68,361
Cancellation of escrowed shares	(1,708,912)	(13,846)	–	–	–	–	–	(13,846)
Total comprehensive loss for the period	–	–	–	–	–	18,393	(906,061)	(887,668)
Balance, October 31, 2015	4,101,366	4,386,396	620,466	–	68,361	742,760	(1,616,152)	4,201,831

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

Invictus MD Strategies Corp.

Condensed interim consolidated statements of cash flows
(Unaudited - Expressed in Canadian dollars)

	Nine months ended October 31, 2016 $	Nine months ended October 31, 2015 $
OPERATING ACTIVITIES		
Net loss and comprehensive loss for the period	(1,868,283)	(906,061)
Items not affecting cash:		
Depreciation	21,049	4,727
Foreign exchange	–	43,140
Interest expense	92,800	52,780
Non-controlling interest	–	18,393
Share of loss of equity-accounted investees	–	32,629
Stock-based compensation	490,125	48,179
Changes in non-cash working capital items:		
Accounts receivable	620,187	(67,617)
Prepaid expenses and other	25,795	(147,280)
Inventory	43,272	19,334
Due from related parties	–	5,196
Accounts payable and accrued liabilities	108,158	(169,488)
Net cash used in operating activities	(466,897)	(1,066,068)
INVESTING ACTIVITIES		
Proceeds on sale of SunBlaster	3,325,617	–
Acquisition of EV	–	(113,664)
Acquisition of Future Harvest (Note 8)	(600,000)	(1,021,845)
Acquisition of VTL	–	(1,200)
Purchase of property and equipment	(174,263)	(33,840)
Intellectual property	(180,083)	(5,410)
Investment in associates	–	(124,943)
Net cash provided by (used in) investing activities	2,371,271	(1,300,902)
FINANCING ACTIVITIES		
Distribution to non-controlling interest members	(375,000)	–
Exercise of warrants	–	285,000
Private placements	780,806	1,583,236
Share issuance costs	(4,377)	(47,041)
Bank indebtedness	(350,226)	57,836
Repayment of convertible loan	(300,000)	–
Loans	–	300,000
Net cash provided by (used in) financing activities	(248,797)	2,179,031
Change in cash during the period	1,655,577	(187,939)
Cash, beginning of period	237,653	350,214
Cash, end of period	1,893,230	162,275
Non-cash transactions		
Shares issued for acquisition of Prestige Worldwide Holdings Inc.	88,740	–
Supplemental disclosures:		
Interest paid	–	–
Income taxes paid	–	–

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

(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Invictus MD Strategies Corp. (formerly BioAB Strategies Ltd.) ("Invictus MD" or the "Company") was incorporated pursuant to the British Columbia Business Corporations Act on February 11, 2014. The Company is primarily engaged in the investment, acquisition, and development of synergistic businesses in an effort to increase and sustain growth and value. The Company's head office is located at 1108-1238 Seymour Street, Vancouver, British Columbia, V6B 6J3.

2. BASIS OF PREPARATION

Statement of compliance

These unaudited condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to interim financial information, as outlined in International Accounting Standard ("IAS") 34, "Interim Financial Reporting" and using the accounting policies consistent with those in the audited financial statements as at and for the year ended January 31, 2016.

These unaudited interim condensed financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended January 31, 2016. Interim results are not necessarily indicative of the results expected for the fiscal year.

Basis of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and the following entities:

		Percentage owned*	
		October 31, 2016	October 31, 2015
Greener Pastures Marihuana Dispensary Ltd.	BC, Canada	100%	100%
Cannabis Health Sciences Inc.	BC, Canada	NA%	100%
Poda Technologies Ltd. (formerly Edison Vape Co. Ltd.)	BC, Canada	100%	NA%
Vitaleaf Management Inc. (inactive)	BC, Canada	100%	100%
Prestige Worldwide Holdings Inc.	BC, Canada	100%	100%
Future Harvest Development Ltd.	BC, Canada	82.5%	60%

*Percentage of voting power is proportion to ownership.

Subsidiaries are entities that the Company controls, either directly or indirectly. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when we have existing rights that give us the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All inter-company balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated upon consolidation. Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by the Company.

(Unaudited - Expressed in Canadian dollars)

3. RECENT ACCOUNTING PRONOUNCEMENTS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended October 31, 2016, and have not been applied in preparing these financial statements.

New standard IFRS 9, “Financial Instruments”

New standard IAS 16, "Property, Plant and Euipment"

New standard IAS 38, "Intangible Assets"

Amendments to IFRS 11, “Joint Arrangements”

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

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

4. ACCOUNTS RECEIVABLE

	October 31, 2016 $	January 31, 2016 $
GST receivable	78,390	57,741
Trade receivables	755,073	1,395,909
	833,463	1,453,650

5. INVENTORY

	October 31, 2016 $	January 31, 2016 $
	810,380	853,652

Inventory consists of costs of manufacturing materials and products for resell. Inventory is recorded at lower of cost or net realizable value, which is the estimated selling price during the ordinary course of business, less estimated costs required to complete the sale.

(Unaudited - Expressed in Canadian dollars)

6. PROPERTY AND EQUIPMENT

	Computer hardware $	Leasehold improvements $	Manufacturing equipment $	Office equipment $	Shop equipment $	Total $
Cost:						
Balance, January 31, 2016	6,035	1,573	20,995	3,187	40,377	72,167
Additions	–	9,078	–	290	164,895	176,264
Balance, October 31, 2016	6,035	10,651	20,995	3,477	205,272	248,431
Accumulated depreciation:						
Balance, January 31, 2016	1,000	240	3,479	449	4,502	9,668
Additions	1,050	828	3,653	628	14,890	21,049
Balance, October 31, 2016	2,050	1,067	7,132	1,077	19,391	30,717
Carrying amounts:						
As at January 31, 2016	5,035	1,335	17,516	2,738	35,875	62,499
As at October 31, 2016	3,985	9,584	13,863	2,400	185,881	215,713

7. INTANGIBLE ASSETS

	Intellectual property $	Meters schematics $	Other $	Total $
Balance, January 31, 2016	825,438	8,201	27,511	861,150
Additions	180,083	–	–	180,083
Disposals	–	–	(12,612)	(12,612)
Balance, October 31, 2016	1,005,521	8,201	14,899	1,028,621

As at October 31, 2016, intellectual property was not available for use. Meters schematics and other intangible assets have indefinite lives. As a result, no amortization has been recorded.

8. ACQUISITIONS AND DISPOSITIONS

Prestige Worldwide Holdings Inc.

On March 3, 2015, the Company purchased a 100% interest in Prestige Worldwide Holdings Inc. (“Prestige”) in exchange for 171,000 common shares to the shareholder of Prestige, which was subject to the concurrent closing of the initial acquisition of Future Harvest Development Ltd. (“Future Harvest”). The Company is to issue additional common shares as Future Harvest achieves certain earnings before interest, taxes, depreciation and amortization ("EBITDA") milestones (up to an aggregate of 900,000 common shares), as outlined below:

(a) 182,250 Invictus shares if the Company acquires the first additional block of 13.75% of the Future Harvest shares (acquired), based on the following release schedule:
   (i) 105,000 shares on the later of (i) December 31, 2015 and (ii) 45 days after Future Harvest achieves a $1 million EBITDA milestone (the “EBITDA $1 million Date”) (issued); and
   (ii) 77,250 shares on the later of (i) June 30, 2016 and (ii) 45 days after the EBITDA $1 million Date (issued).

8. ACQUISITIONS AND DISPOSITIONS (continued)

Prestige Worldwide Holdings Inc. (continued)

(b) 182,250 Invictus shares if the Company acquires the second additional block of 13.75% of the Future Harvest shares (acquired), based on the following release schedule:

(i) 60,750 shares on the later of (i) June 30, 2016 and (ii) 45 days after the EBITDA $1 million Date (issued);
(ii) 18,000 shares on the later of (i) June 30, 2016 and (ii) 45 days after Future Harvest achieves a $2 million EBITDA milestone (the “EBITDA $2 million Date”) (issued); and
(iii) 103,500 shares on the later of (i) December 31, 2016 and (ii) 45 days after the EBITDA $2 million Date.

(c) 182,250 Invictus shares if the Company acquires the third additional block of 13.75% of the Future Harvest shares (acquired), based on the following release schedule:

(i) 52,500 shares on the later of (i) December 31, 2016 and (ii) 45 days after the EBITDA $2 million Date;
(ii) 69,000 shares on the later of (i) June 30, 2017 and (ii) 45 days after the EBITDA $2 million Date; and
(iii) 60,750 shares on the later of (i) June 30, 2017 and (ii) 45 days after Future Harvest achieves a $3 million EBITDA milestone (the “EBITDA $3 million Date”).

(d) 182,250 Invictus shares if the Company acquires the fourth additional block of 13.75% of the Future Harvest Shares (acquired), based on the following release schedule:

(i) 26,250 shares on the later of (i) June 30, 2017 and (ii) 45 days after the EBITDA $3 million Date; and
(ii) 156,000 shares on the later of (i) December 31, 2017 and (ii) 45 days after the EBITDA $3 million Date.

The purpose of acquiring Prestige was to facilitate the acquisition of Future Harvest and as a result the Company capitalized the costs related to the stepped purchase of Prestige.

Future Harvest Development Ltd.

On March 3, 2015, the Company entered into an agreement to indirectly acquire, through its interest in Prestige, up to 75% of the common shares of Future Harvest, a company located in Kelowna, B.C., for an aggregate purchase price of up to $1,875,000.

As at January 31, 2016, the Company has acquired a total of 60% interest in Future Harvest by making the initial $500,000 payment on March 3, 2015; a subsequent payment of $343,750 on May 4, 2015 to acquire an additional 13.75%; and on June 30, 2015, accelerated its option to acquire an additional 26.25% by issuing 275,000 common shares of the Company at a deemed price of $1.35, and making a cash payment of $285,000 to the shareholders of Future Harvest.

On February 1, 2016, an additional 15% interest was acquired bringing the Company’s total ownership to 75%. In exchange for the additional 15% of the shares of Future Harvest, the Company paid $375,000 in cash to certain shareholders of Future Harvest.

On April 30, 2016, the Company paid an additional $152,922 to the shareholders of Future Harvest as additional consideration for the working capital adjustment. During the nine months ended October 31, 2016, the Company recognized bargain purchase loss in the amount of $152,922 (2015 - $nil).

(Unaudited - Expressed in Canadian dollars)

8. ACQUISITIONS AND DISPOSITIONS (continued)

Future Harvest Development Ltd. (continued)

On July 18, 2016, the Company has acquired, indirectly through its subsidiary, Prestige, an additional 7.5% of the shares of Future Harvest, pursuant to a purchase and sale agreement dated July 15, 2016. In exchange for the additional 7.5% of the shares of Future Harvest, the company paid $225,000 in cash to a shareholder of Future Harvest. In aggregate, the Company's total interest in Future Harvest is now 82.5%.

Pursuant to IFRS 3, "Business Combinations", changes in ownership interest that do not result in a loss of control are accounted for as equity transactions. Furthermore, a parent's purchase of additional shares in a subsidiary does not result in additional goodwill or other adjustments to the initial accounting for the business combination. Any difference between the amount of non-controlling interest acquired and the fair value of the consideration paid is recognized in equity, attributed to the parent.

The table below summarizes the acquisition of additional interest in Future Harvest:

	$
Consideration paid:	
Cash paid on February 1, 2016	375,000
Cash paid on July 18, 2016	225,000
Total consideration paid	600,000
Non-controlling interest acquired:	
15% of non-controlling interest	316,800
7.5% of non-controlling interest	150,117
Consideration received	466,917
Consideration paid	(600,000)
Adjustment to equity	(133,083)

On February 1, 2016, the Company sold its SunBlaster product line. The total consideration paid was as follows:

- $50,000 deposit (paid);
- $3,000,000 payable on the closing date (paid);
- an amount equal to inventory on hand, at cost, as determined and payable within 30 days from February 1, 2016 (paid);
- the final reconciliation payment, including any adjustments to freight based on actual spend, is due in cash on June 30, 2016;
- a management fee payable to Future Harvest of 2.8% of gross SunBlaster sales until June 30, 2016; and
- operating cost recoveries of approximately $24,000 per month until June 30, 2016.

(Unaudited - Expressed in Canadian dollars)

8. ACQUISITIONS AND DISPOSITIONS (continued)

Future Harvest Development Ltd. (continued)

The table below summarizes the sale of SunBlaster:

	$
Cash received	3,943,802
Amounts receivable	700,000
Fair value of consideration received	4,643,802
Asset sold:	
Intellectual property – SunBlaster	(3,991,975)
Patent and trademarks – SunBlaster	(12,612)
Bonus paid to Future Harvest shareholders	(625,000)
Liabilities associated with SunBlaster	519,000
Inventory sold	(884,699)
Net assets sold	(4,995,286)
Consideration received	4,643,802
Loss on sale of SunBlaster production	351,484

9. BANK INDEBTEDNESS

Bank indebtedness consists of a secured line of credit for Future Harvest. The amounts are due on demand and bear interest at the Bank's Prime Interest Rate plus 1.75% per annum. The maximum facility available amounts to $100,000, and US$125,000. The loan is secured by a general security agreement creating a first priority security interest in all property of Future Harvest.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The components of accounts payable and accrued liabilities are comprised of the following:

	October 31, 2016 $	January 31, 2016 $
Trade accounts payable	349,033	1,134,461
Accrued liabilities	5,950	16,950
	354,983	1,151,411

11. CONVERTIBLE LOAN

In order to finance the accelerated acquisition of Future Harvest, the Company received a $300,000 convertible loan from a company controlled by the CEO of the Company. The loan is secured, non-interest-bearing, convertible into common shares at the lender's option at a price equal to $0.18 per share, and due on demand.

(Unaudited - Expressed in Canadian dollars)

11. CONVERTIBLE LOAN (continued)

For accounting purposes, the loan contains both a liability component and an equity component, being the lender's conversion option to shares, which have been separately presented on the consolidated statement of financial position. The Company allocated the original $300,000 principal of the loan to the individual liability and equity components by establishing the fair value of the liability component at the date of issue and then allocating the remaining balance of the net proceeds to the equity component. The fair value of the liability component was determined by discounting the stream of future payments of interest and principal amounts at the estimated prevailing market rate at the date of issuance of 13% for a debt instrument of similar maturity and credit quality but without any share conversion option for the lenders. Including the impact of the costs of issuance, applying the effective interest method, the liability component of the Loan bears an effective annual interest rate of 13%. As described in Note 19, the Company issued 33,333 common shares to the CEO as compensation for providing the loan. The shares had a fair value of $60,000 and have been recorded against the value of the liability component and will be accreted over the expected life of the loan. During the nine months ended October 31, 2016, the loan was repaid in full.

	October 31, 2016 $	January 31, 2016 $
Equity component	68,361	68,361
Liability component, at the date of issuance	231,639	231,639
Transaction costs balance	(42,500)	(42,500)
Accretion of interest	18,061	18,061
Repayment of convertible loan	(207,200)	–
Liability component, end of period	–	207,200

12. RELATED PARTY TRANSACTIONS

During the nine months ended October 31, 2016, the Company was charged $282,375 (2015 - $64,000) in management fees by a company controlled by the CEO of the Company. As at October 31, 2016, $nil remains outstanding.

During the nine months ended October 31, 2016, the Company was charged $76,200 (2015 - $56,000) in management fees by a company controlled by the former CFO of the Company, which includes a bonus paid of $20,000 as a result of the services provided relating to the sale of Sunblaster. As at October 31, 2016, $nil remains outstanding.

During the nine months ended October 31, 2016, the Company was charged $nil (2015 - $40,000) in management fees by a company controlled by the Vice President, Business Development of the Company. As at October 31, 2016, $nil remains outstanding.

During the nine months ended October 31, 2016, the Company was charged $13,943 (2015 - $nil) in management fees by a company controlled by a Director of Future Harvest. As at October 31, 2016, $nil remains outstanding.

During the nine months ended October 31, 2016, the Company was charged $101,816 (2015 - $nil) in management fees by a company controlled by a Director of the Company. As at October 31, 2016, $nil remains outstanding.

12. RELATED PARTY TRANSACTIONS (continued)

As at October 31, 2016, $nil (January 31, 2016 - $187,115) was due to officers and companies controlled by officers of the Company for expenses and management fees incurred. A portion of the balance owing is for expenses and fees incurred prior to these parties being classified as related. The amounts are included in accounts payable.

As at October 31, 2016, $37,500 (January 31, 2016 - $nil) was due from a former director of the Company.

13. SHARE CAPITAL

On March 11, 2016, the Company consolidated its issued and outstanding share capital on the basis of one post-consolidated common share for every 10 pre-consolidated common shares. All per share amounts were retroactively restated in these consolidated financial statements.

On June 30, 2016, the Company closed a non-brokered private placement and issued 5,205,375 units at a price of $0.15 per unit for gross proceeds of $780,806. Each unit consisted of one common share and one transferable common share purchase warrant exercisable at $0.50 per share for a period of two years from the date of issuance.

On August 18, 2016, the Company issued 1,400,243 common shares to certain shareholders, including directors, officers and consultants, of which 1,139,275 common shares were converted from 113,926 Class A preferred shares on a 10-to-one basis. The remaining 261,000 common shares were issued as a result of the Company achieving certain EBITDA milestones. Refer to Note 8.

Escrow shares

As at January 31, 2016, the Company has 166,667 common shares held in escrow with the following escrow provisions:

- 100,000 shares to be released once Poda Technologies has earned an aggregate of $2.5 million in gross revenues;
- 66,667 shares to be released once Poda Technologies has earned an aggregate of $12.5 million in gross revenues.

The first escrow issuance and the second escrow issuance are subject to a top-up mechanism, such that if the volume-weighted average trading price of the Company's common shares on the Canadian Securities Exchange for the seven most recent trading days immediately preceding the first sales milestone is below $0.50, or below $0.75 as of the second sales milestone, then the company has the option to issue either additional common shares, cash payment or a combination thereof to the inventors, such that the aggregate value of the consideration issued at each milestone is equal to $500,000 and provided that the issuance of any additional common shares is not less than an issue price of $0.10.

(Unaudited - Expressed in Canadian dollars)

13. SHARE CAPITAL (continued)

Stock option plan

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 15% of the issued and outstanding common shares of the Company. Options granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors. During the period, the Company granted options; the changes to the option schedule are indicated in below.

During the period ended October 31, 2016, the Company recognized share-based compensation of $401,386 (2015 - $26,434) that was recorded in the consolidated statement of operations. Stock options were granted with a total fair value of $439,937.

During the period ended October 31, 2016, the Company granted an aggregate of 250,000 incentive stock options under its stock option plan to certain employees and consultants of the Company, subject to vesting provisions. The options are exercisable at a price of $0.35 for a period of five years from the date of grant. During the same period, the Company also granted an aggregate of 450,000 incentive stock options under its stock option plan to certain directors of the Company, all of which vests immediately. The options are exercisable at a price of $0.92 for a period of five years from the date of grant.

The fair value of all compensatory options granted is estimated on grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values are as follows:

	2016	2015
Risk-free interest rate	0.67%	0.66%
Expected life	5 years	2 years
Volatility	140%	160%
Dividend rate	-	-

	Options outstanding	Weighted average exercise price $
Balance, January 31, 2016	157,500	1.58
Granted	700,000	0.72
Balance, July 31, 2016	857,500	0.88

(Unaudited - Expressed in Canadian dollars)

13. SHARE CAPITAL (continued)

Stock option plan (continued)

A summary of the Company's options outstanding as of October 31, 2016 is as follows:

	Outstanding			Exercisable	
Range of exercise prices $	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price $	Number of options	Weighted average exercise price $
0.35	250,000	4.7	0.35	85,000	0.35
0.92	450,000	5.0	0.92	450,000	0.92
1.50	112,500	3.5	1.50	112,500	1.50
1.70	30,000	3.3	1.70	30,000	1.70
1.95	15,000	3.5	1.95	15,000	1.95
	857,500	4.6	0.88	692,500	1.00

Warrants

A continuity schedule of the Company's outstanding share purchase warrants for the period ended October 31, 2016 is as follows:

	Warrants outstanding	Weighted average exercise price $
Balance, January 31, 2016	582,132	2.63
Issued	5,205,375	0.50
Expired	(552,132)	2.50
Balance, July 31, 2016	5,235,375	0.53

As at October 31, 2016 the Company had outstanding share purchase warrants exercisable to acquire common shares of the Company as follows:

Number of warrants outstanding	Exercise price $	Expiry date
30,000	5.00	February 4, 2017
5,205,375	0.50	June 30, 2018
5,235,375		

14. COMMITMENT

Poda Technologies and the inventors have entered into a royalty agreement, whereby the inventors will receive a royalty in perpetuity equal to 3% of gross sales once Poda Technologies achieves cumulative gross revenue in the amount of $500,000.

15. SUBSEQUENT EVENTS

(a) On November 18, 2016, the Company entered into an option agreement to acquire 49% of Zenalytic Laboratories Inc. ("Zen Labs"). Per the agreement, the Company is required to issue Zen Labs $300,000 in common shares at an issue price equal to the volume weighted average price of the Company for the three days prior to closing the agreement. The Company can execute the option agreement upon delivering a notice of exercise to Zen Labs on or before the date that is 45 days after Zen Labs notifies the Company that it has obtained a Section 56 Class Exemption Dealer's license from Health Canada. $45,000 will be paid to Zen Labs by way of issuance of common shares at an issue price equal to the three day volume weighted average price of the Company's shares as consideration for the option.

(b) On November 22, 2016, the Company entered into an option agreement to acquire 60% in the State of Nevada (SNV) Medical Marijuana Cultivation License (the "Seller") located in Las Vegas, Nevada. The terms of the option allows the Company to acquire 10% of the Seller within 45 days after the Seller has obtained its final approval for cultivation from the SNV inspection department. The Company will pay the Seller $150,000 in cash to secure the option. Upon issuance of the license, the Company will have the option (the "First Option") to acquire a 10% equity stake from the Seller for US$500,000 in cash plus US$1,725,000 in common shares of the Company at an issue price equal to the volume weighted average price of the Company's common share for the three trading days ending on the trading day prior to the date of the delivery of the option exercise notice. The Seller grants the Company an option to purchase an additional 50% of the Seller for US$16,875,000 payable in any combination of cash and/or common shares of the Company. The option expires 183 days after the closing of the First Option.

(c) On December 1, 2016, the Company issued 11,428,571 units at $1.05 per unit for gross proceeds of $12,000,000. Each unit consisted of one common share and one-half warrant exercisable for one additional common share at $1.75 per share expiring in 18 months. If the closing price of the common share is equal to or greater than $2.75 for a period of ten consecutive trading days, the Company will have the right to accelerate the expiry. In connection with the private placement, the Company paid finders' fees of $607,475 and granted 578,548 finders' warrants. The finders' warrants have the same terms as each whole warrant issued in the private placement.

(d) On December 1, 2016, the Company granted 1,650,000 stock options to directors, employees, and consultants exercisable at $1.38 per common share expiring December 1, 2021.

(e) On December 5, 2016, the Company paid a $1,000,000 dividend to shareholders.

(f) On December 7, 2016, the Company issued 55,000 common shares for proceeds of $19,250 pursuant to the exercise of 55,000 stock options.

(g) On December 23, 2016, the Company acquired 33.33% of AB Laboratories Inc. ("AB Labs"), a Licensed Producer under the Access to Cannabis for Medical Purposes Regulations ("ACMPR"), and 33.33% of AB Ventures Inc. ("AB Ventures"). Under the terms of the agreement, the Company will acquire 33.33% of AB Labs for consideration of $5,000,000 and 2,400,000 common shares on closing and $2,000,000 due 90 days after closing. The Company will have the right of first refusal to arrange any initial public offering, reverse take-over, or other going public transaction of AB Labs or AB Ventures following closing.