PUF VENTURES INC.

Condensed Interim Consolidated Financial Statements

Nine Months Ended September 30, 2017

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

Notice to Readers

Under National Instrument 51-102, Part 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 accompanying unaudited condensed interim consolidated financial statements of PUF Ventures Inc. for the nine months ended September 30, 2017 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim consolidated financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

PUF VENTURES INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Notes	September 30, 2017	December 31, 2016
			(audited)
ASSETS			
Current assets			
Cash		$ 2,033,529	$ 496,746
GST receivable		95,597	20,753
Prepaids		108,375	62,500
		2,237,501	579,999
Loans receivable	5	-	477,514
Exploration and evaluation assets	6	208,843	154,300
Investment	7	-	512,389
Property, plant & equipment	8	1,593,193	-
TOTAL ASSETS		**$ 4,039,537**	**$ 1,724,202**
LIABILITIES			
Current liabilities			
Trade payables		$ 321,713	$ 264,029
Accrued liabilities		8,000	20,000
TOTAL CURRENT LIABILITIES		**329,713**	**284,029**
SHAREHOLDERS' EQUITY			
Share capital	9	18,618,908	15,551,901
Reserves	9	1,707,068	1,405,956
Deficit		(16,616,152)	(15,517,684)
TOTAL SHAREHOLDERS' EQUITY		**3,709,824**	**1,440,173**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 4,039,537**	**$ 1,724,202**

Nature and continuance of operations (Note 1)

Subsequent events (Note 14)

PUF VENTURES INC.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Three Months Ended Sept. 30, 2017	Three Months Ended Sept. 30, 2016	Nine Months Ended Sept. 30, 2017	Nine Months Ended Sept. 30, 2016
Sales	$ -	$ -	$ -	$ 138,850
Cost of sales	-	-	-	113,835
				25,015
Rental income	-	-	-	-
	-	-	-	25,015
EXPENSES				
Accounting and auditing	$ 350	$ 575	$ 15,350	$ 31,185
Advertising fees	11,177	-	41,386	-
Consulting and management	240,860	201,062	531,423	357,739
Development	15,000	-	50,000	-
Insurance	-	-	-	4,134
Legal	4,002	6,600	10,609	12,147
Office and sundry	81,424	6,275	120,867	17,040
Regulatory and transfer agent fees	31,143	6,984	62,316	9,618
Share-based compensation	-	324,750	215,332	327,384
Travel and business development	21,075	4,524	51,185	8,520
Loss before other items	(387,191)	(541,830)	(1,098,468)	(767,767)
OTHER ITEMS				
Foreign exchange gain	-	-	-	(10)
Other income	-	-	-	12,670
Realized gain on sale of investment	-	-	-	30,000
	-	-	-	42,660
Loss and comprehensive loss for the period	$ (387,191)	$ (541,830)	$ (1,098,468)	$ (725,107)
Basic and diluted loss per common share	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.04)
Weighted average number of common shares outstanding	42,483,790	22,775,520	38,307,243	20,619,722

PUF VENTURES INC.
Consolidated Statement of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	Share capital					
	Number of shares	Amount	Share-based payment reserves	Warrant reserve	Deficit	Total
Balance at December 31, 2015	**18,566,894**	**$ 14,254,178**	**$ 772,627**	**$ 866,693**	**$ (13,924,864)**	**$ 1,968,634**
Comprehensive loss:						
Net and comprehensive loss for the period	-	-	-	-	(725,107)	(725,107)
Transactions with owners, in their capacity as owners, and other transfers:						
Shares issued for investment	2,296,060	120,881	-	-	-	120,881
Shares issued for acquisition of subsidiary	2,000,000	110,000	-	-	-	110,000
Private placement	4,062,000	203,100	-	-	-	203,100
Share issuance costs – cash	-	(4,920)	-	-	-	(4,920)
Share issuance costs – agent warrants	-	(13,401)	-	13,401	-	-
Shares issued for settlement of accounts payable	1,424,200	111,210	-	-	-	111,210
Share-based compensation	-	-	327,384	-	-	327,384
Balance at September 30, 2016	**28,474,154**	**$ 14,781,048**	**$ 1,100,011**	**$ 880,094**	**$ (14,649,971)**	**$ 2,111,182**

	Number of shares	Amount	Share-based payment reserves	Warrant reserve	Deficit	Total
Balance at December 31, 2016	**32,104,555**	**$ 15,551,901**	**$ 522,370**	**$ 883,586**	**$ (15,517,684)**	**$ 1,440,173**
Comprehensive loss:						
Net and comprehensive loss for the period	-	-	-	-	(1,098,468)	(1,098,468)
Shares issued for cash (Note 9)	7,656,500	1,914,125	-	-	-	1,914,125
Share issuance costs - cash (Note 9)	-	(79,643)	-	-	-	(79,643)
Share issuance costs - agent warrants (Note 9)	-	(85,780)	-	85,780	-	-
Shares issued for AAA-H	500,003	200,000	-	-	-	200,000
Warrants exercised (Note 9)	4,173,400	826,805	-	-	-	478,080
Options exercised (Note 9)	1,087,500	291,500	-	-	-	143,000
Share-based compensation (Note 9)	-	-	215,332	-	-	215,332
Balance at June 30, 2017	**45,521,958**	**$ 18,618,908**	**$ 737,702**	**$ 969,366**	**$ (16,616,152)**	**$ 3,599,791**

PUF VENTURES INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	For the nine months ended June 30, 2017	Sept. 30, 2016
Operating activities		
Net loss for the period	$ (1,098,468)	$ (725,107)
Adjustments for:		
Gain on debt forgiven	-	(12,670)
Share-based compensation	215,332	327,384
Unrealized loss on investment held for sale	-	(30,000)
Changes in non-cash working capital items:	(478,325)	(240,957)
Net cash flows used in operating activities	(1,361,461)	(199,436)
Financing activities		
Related party loans	-	(10,000)
Issuance of common shares	2,952,787	198,180
Net cash flows provided by financing activities	2,952,787	188,180
Investing activities		
Proceeds from sale of investment	-	50,000
Expenditures on exploration and evaluation assets	(54,543)	-
Net cash flows used in investing activities	(54,543)	50,000
Change in cash	1,536,783	38,744
Cash, beginning	496,746	123,264
Cash, ending	**$ 2,033,529**	**$ 162,008**

Non-cash transactions (Note 11)

1. NATURE AND CONTINUANCE OF OPERATIONS

PUF Ventures Inc. (the "Company") was incorporated on June 24, 2004 pursuant to the Business Corporations Act (British Columbia). Effective June 19, 2014 the Company is listed on the Canadian Securities Exchange ("CSE" or the "Exchange") under the symbol "PUF".

On March 26, 2014, the Company acquired a 16.5% interest in AAA Heidelberg Inc. ("AAA-H"), a private company located in Ontario, for cash of $120,000. The Company signed a Letter of Intent ("LOI") with the principals of AAA-H whereby the Company was granted the exclusive option to acquire the balance of the 83.5% interest subject to certain conditions including the grant of a Marijuana for Medical Purposes Regulations ("MMPR") license and by issuing up to 4,587,500 common shares of the Company subject to CSE escrow policies. The Share Exchange Agreement was finalized effective January 26, 2015. On February 24, 2015, the first tranche of 1,087,500 common shares representing an additional 19.79% interest was completed. On October 30, 2015, the second tranche of 500,000 common shares representing an additional 9.1% interest was completed. The Company now has a 45.39% ownership interest in AAA-H (Note 7).

On May 12, 2015, the Company acquired 100% of VapeTronix Inc. ("VapeTronix"). VapeTronix is a Canadian vaporizer and electronic cigarette company registered in the Province of Ontario. VapeTronix owns the exclusive rights to the "1313" electronic cigarette brand, a medicinal marijuana mobile application technology, and several research and development projects.

These 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 continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Further discussion of liquidity risk has been disclosed in Note 15.

At September 30, 2017, the Company has a working capital of $1,907,788 (December 31, 2016 – $295,970), and an accumulated deficit of $16,616,152 (December 31, 2016 - $15,517,684).

The Company generates minimal cash flow from operations and therefore relies upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. These consolidated financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

The Company's corporate office is located at Suite 804, 750 Pender Street, Vancouver, British Columbia V6C 2T7.

2. BASIS OF PREPARATION

a) Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”).

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

b) Basis of consolidation

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These consolidated financial statements include the accounts of the Company and its Canadian and US subsidiaries including 1313 Wear Ltd., a Canadian wholly owned subsidiary, PacCan Real Estate Holdings Corporation, a USA wholly owned subsidiary, Vapetronix, Inc. a Canadian Wholly owned subsidiary and AAA Heidleberg, a Canadian subsidiary owned 54% by the Company.

Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

c) Presentation and functional currency

The functional currency of the parent company, is the Canadian dollar, which is also the presentation currency of the consolidated financial statements. The functional currency of the Company’s Canadian and US subsidiaries is also the Canadian dollar.

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the closing rate (the exchange rate at the reporting date).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in the profit or loss.

2. BASIS OF PREPARATION (continued)

d) Significant accounting judgments and estimates

The preparation of these financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of these financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year: impairment of non-financial assets; and share-based compensation.

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its exploration and evaluation assets. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets and subject to different accounting treatment. As at September 30, 2017 and December 31, 2016, management had determined that no reclassification of exploration and evaluation assets was required.

The allocation of the purchase price and subsequent costs between land and building required judgment. The allocation was determined using the latest property tax assessment.

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

New accounting standards and interpretations not yet adopted

The following accounting pronouncement has been released but has not yet been adopted by the Company:

IFRS 9 Financial Instruments

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 *Financial Instruments* (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is tentatively effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. 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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. 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. INVESTMENT HELD FOR SALE

On January 15, 2015, the Company finalized an agreement with Kiska Metals Corporation ("Kiska") for the option of the Company's Chuchi property. At December 31, 2015, the Company held 200,000 common shares of Kiska which had a fair value of $4,000 and an original cost of $12,000. During the year ended December 31, 2016, the Company received an additional 800,000 shares of Kiska (Notes 6). During the year ended December 31, 2016, the Company sold 1,000,000 shares of Kiska for gross proceeds of $50,000 and realized a gain of $30,000.

5. LOANS RECEIVABLE

On November 3, 2014, the Company provided a loan in the amount of US$17,000 ($19,722) to the manager of the Company's US subsidiary. The loan stated that it would be repaid in full within 30 days of written request. On April 9, 2015, a written demand for the loan receivable was made to the borrower with repayment to occur within 30 days from the date of demand. During the year ended December 31, 2015, the loan was not repaid and the Company consequently recorded a bad debt of $23,723.

On November 3, 2014, the Company provided AAA-H with a $160,000 loan. On February 20, 2015, the Company guaranteed a first mortgage to a third party in the amount of $400,000 on behalf of AAA-H that was due on July 7, 2015. On August 6, 2015, the Company agreed to pay the third party $4,000 in interest plus a bonus of $1,600 for a two month extension of the mortgage on behalf of AAA-H. The third party had the option to extend the mortgage for another year. Upon doing so, the Company paid the third party $100,000 to reduce the principal balance of the mortgage by $64,000 and pre-pay the interest on the mortgage for a one year period along with a bonus of $60,000. This loan is secured by all the assets of AAA-H and subordinate only to a first mortgage to the third party in the amount of $400,000. During the year ended December 31, 2016, the Company issued a total of 1,890,880 units of the Company with a fair value of $0.05 per unit representing a full year of interest totaling $94,544 as well as 405,180 units with a fair value of $20,259 as a finder's fee for securing another mortgagor. During the year ended December 31, 2016, the Company also advanced $30,000 in cash to cover certain expenditures of AAA-H. At December 31, 2016, the total amount of the loan receivable from AAA-H is $477,514 (2015: $332,710). The loan will be repaid upon the final closing of the transaction as outlined in the Share Exchange Agreement dated January 26, 2015 by a cancellation of shares of the Company otherwise issuable with a fair value of $477,514. During the six months ended June 30, 2017, the Company acquired control of AAA-H and the amount has been removed from consolidation.

6. EXPLORATION AND EVALUATION ASSETS

Lac Saint Simon, Quebec

The Company acquired a 100% interest in certain mineral claims located in Quebec, Canada, known as the Lac Saint Simon Lithium through the issuance of 2,000,000 common shares of the Company valued at $0.065 per share for total value of $130,000. During the year ended December 31, 2016, the Company incurred expenditures of $24,300 on the property including $15,000 of camp costs, $9,300 of geological consulting. During the three months ended March 31, 2017, the Company incurred geological consulting of $48,745.

7. INVESTMENT

On March 26, 2014, the Company acquired a 16.5% interest in AAA-H for $120,000. The Company executed a Share Exchange Agreement effective January 26, 2015 with the principals of AAA-H whereby the Company can acquire the remaining 83.5% interest subject to certain conditions including the grant of a "MMPR" license by issuing up to 4,587,500 common shares of the Company subject to CSE escrow policies. The common shares will be issued in stages. On February 24, 2015, the first tranche of 1,087,500 common shares with a fair value of $348,000 representing an additional 19.79% interest was completed. On February 24, 2015, the Company commenced equity accounting the investment in AAA-H. As a result the Company fair valued its equity accounted investment in AAA-H and recorded a gain of $170,147 in the statement of comprehensive loss representing the difference between the cost and the fair value of the investment. On October 30, 2015, the second tranche of 500,000 common shares, with a fair value of $80,000 representing an additional 9.1% interest was completed. The Company now has a 45.39% ownership interest in AAA-H. The Company's share of AAA-H's loss for the year totaled $205,758 (2015 - $nil). During the six months ended June 30, 2016, the Company acquired an additional 9.1% interest in AAA-H for 500,000 common shares with a fair value of $200,000. The Company is now being consolidated.

8. PROPERTY, PLANT & EQUIPMENT

During the six months ended June 30, 2017, the Company acquired control of AAA-H and continues to complete the construction on the land and building that form part of facility as part of the ACMPR application in London, Ontario. The Company will commence amortization on this asset once it has been put into production.

INTELLECTUAL PROPERTY

During the year ended December 31, 2016, the Company commenced the development on new vaporizer technology. The Company incurred development costs of $210,000 during the year. During the nine months ended September 30, 2017, the Company incurred a further $50,000 of development costs on this project.

9. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value.

Issued:

On January 22, 2016, the Company issued 250,000 common shares to settle $30,000 of accounts payable.

On May 16, 2016, the Company issued 125,000 common shares to settle $26,250 of accounts payable resulting in a gain of $16,250.

9. SHARE CAPITAL (continued)

a) Common shares (continued)

On August 3, 2016, the Company issued 2,000,000 common shares at a price of $0.065 per share to acquire the Lac Saint Simon mineral property

On August 17, 2016, the Company issued 4,062,000 units at a price of $0.05 per unit for gross proceeds of $203,100. Each unit consists of one common share and one transferable share purchase warrant of the Company. Each warrant is exercisable to purchase one additional common share of the Company until August 17, 2018 at $0.10 per share. The full issue price was allocated to the common shares. Finders' fees were paid in the amount of $7,020 along with the issuance of 202,800 agent warrants. Each agent warrant is exercisable to purchase one common share of the Company until August 17, 2018 at $0.10 per share. These agent warrants have a fair value, calculated using the Black-Scholes Option Pricing Model, of $7,719, assuming an expected life of two years, a risk-free interest rate of 1.5%, an expected dividend rate of 0.00%, and an expected annual volatility of 192%.

On August 19, 2016, the Company issued 3,470,260 common shares at a price of $0.08 to settle debt of $173,514, resulting in a loss of $104,107.

On November 4, 2016, the Company issued 260,000 flow-through common shares at a price of $0.25 per share for gross proceeds of $65,000 and 1,545,000 units at a price of $0.20 per unit for gross proceeds of $309,000. Each unit consists of one common share and one transferable share purchase warrant of the Company. Each warrant is exercisable to purchase one additional common share of the Company until November 4, 2018 at $0.25 per share. The full issue price was allocated to the common shares. The Company recorded $13,000 as a flow-through share premium which was reversed in the statement of comprehensive loss upon the Company incurring the required exploration expenditures Finders' fees were paid in the amount of $7,680 along with the issuance of 62,700 agent warrants. Each agent warrant is exercisable to purchase one common share of the Company until November 4, 2018 at $0.25 per share. These agent warrants have a fair value, calculated using the Black-Scholes Option Pricing Model, of $9,174, assuming an expected life of two years, a risk-free interest rate of 1.5%, an expected dividend rate of 0.00%, and an expected annual volatility of 152%.

During the year ended December 31, 2016, the Company issued 1,275,400 shares on the exercise of warrants for proceeds of $157,080 and 550,000 shares on the exercise of stock options for proceeds of $110,000.

On March 10, 2017, the Company issued 7,656,500 units at a price of $0.25 per unit, raising gross proceeds of $1,914,125. Each unit consists of one common share and one transferrable common share purchase warrant. Each warrant is exercisable to purchase one additional common share of the Company until March 19, 2019 at $0.40 per common share. Finders' fees were paid in the amount of $79,643 cash along with the issuance of Finders' warrants of 299,370.

During the nine months ended September 30, 2017, the Company issued 4,173,400 on the exercise of warrants for proceeds of $826,805, and 1,087,500 shares on the exercise of stock options for proceeds of $291,500.

During the nine months ended September 30, 2017, the Company issued 500,003 common shares valued at $200,000 on the acquisition of 9.1% of AA-H.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

b) Warrants outstanding

	Number of warrants		Weighted average exercise price
At December 31, 2015	7,341 000		0.300
Warrants exercised	(1,275,400)		0.123
Warrants issued	5,872,500		0.123
At December 31, 2016	11,938,100	$	0.220
Warrants exercised	(4,137,400)		0.123
Warrants issued	7,955,870		0.123
At June 30, 2017	15,765,570	$	0.220

Expiry Date	Remaining life (years)	Number of warrants		Exercise price
May 1, 2018	0.83	3,567,750	$	0.300
August 17, 2018	1.11	1,317,000		0.075
October 30, 2018	1.29	1,481,000		0.300
November 4, 2018	1.33	1,462,500		0.250
March 10, 2019	1.23	7,937,320		0.40
Balance at June 30, 2017		15,765,570	$	0.220

c) Stock options outstanding

On August 14, 2015, the Company's 2015 Stock Option Plan was approved. Under this plan, the Company may grant options to directors, officers, employees, and consultants, provided that the maximum number of options that are outstanding at any time shall not exceed 20% of the issued and outstanding common shares of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less applicable discount. The options may be granted for a maximum of ten years and vesting is determined by the Board of Directors.

Grant Date	Expiry date	Number of options		Exercise price
March 12, 2014	March 11, 2019	87,500	$	0.640
September 22, 2016	September 22, 2022	650,000		0.235
January 24, 2017	January 24, 2019	725,000		0.265
Balance at June 30, 2017		1,462,500		0.314

	Number of options		Weighted average exercise price
Balance at December 31, 2015	1,841,250		0.496
Options cancelled and expired	(707,500)		0.20
Options exercised	(550,000)		0.20
Options granted	1,650,000		0.21
At December 31, 2016	2,233,750	$	0.345
Options cancelled and expired	(658,750)		0.375
Options exercised	(1,087,500)		0.25
Options granted	975,000		0.265
At June 30, 2017	1,462,500	$	0.314

9. SHARE CAPITAL (continued)

c) Stock options outstanding (continued)

On January 22, 2016, the Company granted 250,000 stock options to certain consultants of the Company to acquire 250,000 shares of the Company at an exercise price of $0.20 per share for a period of one year that expire on January 22, 2016. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $16,940 assuming an expected life of one year, a risk-free interest rate of 1.5%, an expected dividend rate of 0.00%, and an expected annual volatility of 128%.

On January 22, 2016, the Company granted 1,400,000 stock options to certain consultants of the Company to acquire 1,400,000 shares of the Company at an exercise price of $0.235 per share for a period of five years that expire on January 22, 2021. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $232,224 assuming an expected life of five years, a risk-free interest rate of 1.5%, an expected dividend rate of 0.00%, and an expected annual volatility of 147%.

On January 24, 2017, the Company granted 975,000 stock options to certain consultants of the Company to acquire 975,000 of the Company at an exercise price of $0.265 per share for a period of two years that expire on January 24, 2019. These options have a fair value, calculated using the Black-Scholes Option Pricing Model of $215,332 assuming an expected life of two years, a risk-free interest rate of 1.65%, an expected dividend rate of 0.00%, and an expected annual volatility of 194.35%.

All stock options vested on the date of grant.

d) Share-Based Payments Reserve

The share-based payment reserve represents employee entitlements to share-based awards that have been charge to the loss and other comprehensive loss in the periods during which the entitlements were accrued and have not yet been exercised. When the stock options are exercised, the corresponding amount will be transferred to share capital. If the options expired unexercised, the amount recorded is transferred to deficit.

e) Warrants Reserve

The warrants reserve records fair value of the warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to deficit.

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the period ended September 30, 2017 and the year ended December 31, 2016:

Nine months ended September 30, 2017

	Consulting
Cherry Consulting Ltd	$ 12,675
Elben Capital Inc.	54,000
Jerry Habuda	7,500
Joseph Perino	7,500
	$ 81,675

Year ended December 31, 2016

	Consulting	Rent	Share-based Compensation
Christopher Hornung	$ -	$ -	$ 15,900
Paradigm Shift	17,675	-	-
Cherry Consulting Ltd	22,849	-	15,900
Elben Capital Inc.	83,000		
Derek Ivany	25,000	-	63,598
Foremost Management Services Inc.	-	5,500	-
Jerry Habuda	7,500	-	15,900
Joseph Perino	7,500	-	15,900
	163,524	$ 5,500	$ 127,196

Amounts due to and due from related parties are unsecured, non-interest bearing and due on demand.

11. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities along with other cash flow information during as at September 30, 2017 and December 31, 2016 are as follows:

	Sept. 30, 2017	December 31, 2016
Fair value of agent warrants issued for share costs	$ 85,780	$ -
Shares received on mineral property	-	16,000

12. SEGMENTED INFORMATION

The Company operates in four reportable segments: (i) the acquisition, exploration, and development of exploration and evaluation assets; (ii) the medical marijuana industry through the purchase of an interest in a private Ontario company that is in the process of applying for a MMPR license; (iii) the sale of e–cigarettes and (iv) acquiring rental property in the State of Washington.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value of financial instruments

The carrying values of cash, loans to related parties, loans receivable, accounts payable, and mortgage payable approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

The Company's cash is measured using level 1 inputs.

b) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

The loans receivable expose the Company to credit risk and the Company has limited this exposure by securing one of the loans with collateral; and the other loan is unsecured.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at September 30, 2017 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Financial risk management (continued)

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates. The Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and current financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company has not entered into any foreign currency contracts to mitigate foreign currency risk. The Company's sensitivity analysis suggests that a 5% change in the absolute rate of exchange for US dollars would not significantly affect its cash position at this time.

(c) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, AAA H. receiving a MMPR license from Health Canada, the sale of the Company's e-cigarettes, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

14. SUBSEQUENT EVENTS

Subsequent to September 30, 2017, the Company:

On October 3, 2017, the Company received $1,197,225 in cash and issued an aggregate of 3,818,000 common shares pursuant to option and warrant exercise requests.

On October 4, 2017, the Company announced a further update on the AAA Heidelberg growing facility in London, Ontario. While the bulk of the items have been finished, there was a need to update the overall security plan. Since late June, the Company has completed the following items and facility upgrades:

- Installation of an air purification unit
- Renovation of office space and employee break areas
- Sanitization and purification of the facility
- Installation of perimeter security fencing

On October 11, 2017, the Company received $26,250 in cash and issued an aggregate of 87,500 common shares pursuant to warrant exercise requests.

Additionally on October 11, 2017, the Company announced the acquisition of a hemp-based food and medicinal product line and entered into an agreement to purchase Natures Hemp, a private company developing proprietary hemp base food and medicinal products with a major Canadian university. The Company believes that Natures Hemp, with their hemp-based food and medicinal products and plans for cultivation, is a natural fit with the overall strategy for the Company. The market for hemp-based products is growing at a phenomenal rate. Natures Hemp is currently working closely with senior levels of provincial and federal governments for its application for hemp cultivation and to secure development grants and loans for a new facility in Ontario. The facility will allow for greater product development, and processing and packaging new lines of food and other hemp-based products expected to be launched by the summer of 2018.

On October 12, 2017, the Company announced that it had completed the acquisition of Natures Hemp. Pursuant to the share purchase agreement, the Company purchased 100% of the issued and outstanding common shares of Natures Hemp in consideration of the issuance of a total of 1,200,000 common shares of the Company (equivalent to a value of CAD$600,000) which was distributed on a *pro rata* basis to the shareholders of Natures Hemp at a deemed price of $0.50 per share

On October 18, 2017, the Company announced that it had entered into a strategic partnership with MYM Nutraceuticals Inc. (CSE:MYM) ("**MYM**") for the construction of a one million square foot greenhouse facility in northern New South Wales, Australia called the Northern Rivers Project. The Northern Rivers Project is a partnership with the Richmond Valley Council, the local government in New South Wales, Australia, and PVA, a recently formed majority-owned subsidiary of PUF, to construct a one million square foot greenhouse operation, with large-scale manufacturing, processing and office facilities for the cultivation, production and manufacture of medical cannabis and associated products. PUF will own 35% of the Northern Rivers Project, which, at full scale, will have the capacity to produce 100,000 kilograms of high quality cannabis per year, worth between C$800 million and C$1.1 billion (based on current pricing metrics in the Australian cannabis marketplace).

14. SUBSEQUENT EVENTS (continued)

The Northern Rivers Project includes a land purchase option agreement with the Richmond Valley Council for a 27-hectare parcel of land near the town of Casino in northern New South Wales, Australia. This is a landmark agreement whereby the council will provide the land for five years at no cost, with an option for Northern Rivers Project to purchase the parcel on favourable terms after the fifth year. The Richmond Valley Council has been extremely supportive of Northern Rivers Project's growth strategy and vision and is committed to improving local economic and employment opportunities. The purchase agreement and associated partnership with the Richmond Valley Council will allow the Northern Rivers Project to enter the cannabis market on a solid footing with the full support of the local political and governing bodies.

On November 10, 2017, the Company received $67,500 in cash and issued an aggregate of 225,000 common shares pursuant to warrant exercise requests.

On November 14, 2017, the Company announced a corporate update on PVA. PVA has filed three applications with the Australian Office of Drug Control for the cultivation, production and manufacture of medical cannabis at the Northern Rivers project, a proposed 1.2-million-square-foot greenhouse and extraction facility in Richmond Valley Shire, New South Wales, Australia. The applications, if successful, will allow PVA to take cannabis from seed to finished product.

Additionally on November 14, 2017, the Company announced a corporate update on AAA Heidelberg. AAA Heidelberg, has been closing in on their proof of readiness submission to Health Canada. After a rigorous screening process and several onsite audits, PUF has now formally engaged and contracted Veridin Systems Canada to finalize installation of the necessary security enhancements and protocols as advised David Hyde, of David Hyde and Associates. Veridin Systems Canada has been providing security services to the controlled substance sector since 1991 and as a result, has a deep understanding of Health Canada's regulations and requirements for securing ACMPR facilities. Veridin works with other medical marijuana and pharmaceutical clients across Canada to secure their facilities utilizing integrated security solutions consisting of intrusion detection, access control, video surveillance and remote monitoring services.

On November 15, 2017, the Company received $15,000 in cash and issued an aggregate of 50,000 common shares pursuant to warrant exercise requests.

On November 16, 2017, the Company announced that PVA has retained Mr. Casey Houwelings and Mr. Peter Cummings as greenhouse consultants for the medical cannabis Northern River Project, a 1,200,000-square foot greenhouse being constructed in north eastern New South Wales. Houwelings and Cummings will contribute to the design and construction of the most technically advanced and environmentally sustainable greenhouse to grow medical cannabis.

On November 17, 2017, the Company received $250,650 in cash and issued an aggregate of 860,500 common shares pursuant to warrant exercise requests.

On November 21, 2017, the Company received $142,375 in cash and issued an aggregate of 441,250 common shares pursuant to warrant exercise requests.

14. SUBSEQUENT EVENTS (continued)

Additionally on November 21, 2017, the Company announced that PVA has engaged renowned Dutch greenhouse builder KUBO, for engineering and the tendering process for the construction of the 1,200,000-square foot, fully automated greenhouse to be built in New South Wales Australia. PVA has chosen KUBO to engineer and tender the first Ultra-Clima Greenhouse in Australia specifically for cannabis. With the Ultra-Clima, KUBO Group has made advancements towards the greenhouse of the future. The Ultra-Clima greenhouse meets all the requirements of modern growers; higher yields, maximum food safety, minimum energy and water consumption, minimum CO2 emissions and improved returns.

On November 22, 2017, the Company received a total of $52,500 in cash and issued a total of 175,000 common shares pursuant to warrant exercise requests.