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**BELEAVE INC.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**THREE AND NINE MONTHS ENDED**  
**DECEMBER 31, 2016**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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**BELEAVE INC.****Condensed Interim Consolidated Statements of Financial Position****(Expressed in Canadian Dollars)****(Unaudited)**

	<b>As at December 31, 2016</b>	<b>As at March 31, 2016</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Note 4)	\$ 1,841,769	\$ 230,694
Sales tax receivable	117,368	-
Prepaid expenses	15,780	16,556
<b>Total current assets</b>	<b>1,974,917</b>	<b>247,250</b>
<b>Non-current assets</b>		
Property, plant and equipment (Note 5)	1,727,176	901,785
<b>Total non-current assets</b>	<b>1,727,176</b>	<b>901,785</b>
<b>Total Assets</b>	<b>\$ 3,702,093</b>	<b>\$ 1,149,035</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 905,280	\$ 674,257
<b>Total current liabilities</b>	<b>905,280</b>	<b>674,257</b>
<b>Shareholders' Equity</b>		
Share capital (Note 6)	6,817,364	1,943,035
Units to be issued (Note 6)	-	216,801
Reserve for share-based payments (Note 8)	1,535,191	1,252,200
Reserve for warrants (Note 7)	1,495,445	1,196,050
Deficit	(7,051,187)	(4,133,308)
<b>Total Shareholders' Equity</b>	<b>2,796,813</b>	<b>474,778</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 3,702,093</b>	<b>\$ 1,149,035</b>
<b>Nature of operations and going concern (Note 1)</b>		
<b>Related party transactions (Note 10)</b>		
<b>Commitments (Note 12)</b>		
<b>Subsequent events (Note 13)</b>		

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

**BELEAVE INC.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****(Expressed in Canadian Dollars)****(Unaudited)**

	<b>Three Months Ended December 31,</b>		<b>Nine Months Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Expenses</b>				
Marketing and promotion	\$ 70,526	\$ 70,013	\$ 419,923	\$ 70,013
Professional services	296,239	188,415	509,385	211,690
Office expenses	167,279	21,740	209,879	71,456
Research and development	-	25,475	13,660	42,075
Share-based compensation (Notes 8 and 10)	(39,554)	-	1,122,991	664,200
Rent and facilities (Note 10)	152,696	20,340	244,764	61,020
Listing costs (Note 3)	-	1,468,071	-	1,468,071
Loss on debt settlement (Note 6(b)(iii)(ix))	56,538	(788)	56,538	44,512
Management and consulting fees (Note 10)	213,042	91,316	327,042	91,316
Supplies and consumables	186	-	13,697	-
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (860,414)</b>	<b>\$ (1,884,582)</b>	<b>\$ (2,917,879)</b>	<b>\$ (2,724,353)</b>
<b>Loss per share - basic and diluted (Note 9)</b>	<b>\$ (0.04)</b>	<b>\$ (0.14)</b>	<b>\$ (0.14)</b>	<b>\$ (0.20)</b>
<b>Weighted average number of shares outstanding - basic and diluted (Note 9)</b>	<b>24,453,131</b>	<b>13,683,354</b>	<b>20,536,619</b>	<b>13,463,341</b>

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**BELEAVE INC.**
**Condensed Interim Consolidated Statement of Changes in Shareholders' Equity**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

		Share Capital			Reserve for	Reserve for		
		Units to	Number of	Amount	Warrants	share-based	Deficit	Total
		be issued	common shares			payments		
<b>Balance, March 31, 2015</b>	<b>\$</b>	<b>-</b>	<b>13,216,667</b>	<b>\$ 753,125</b>	<b>\$ 712,180</b>	<b>\$ 550,000</b>	<b>\$ (1,140,932)</b>	<b>\$ 874,373</b>
Equity financing, net of costs (Note 6(b)(i)(ii))	-	-	276,666	131,865	30,600	-	-	162,465
Shares issued for debt settlement (Note 6(b)(iii))	-	-	228,068	112,712	27,800	-	-	140,512
Shares issued for services (Note 6(b)(iv))	-	-	40,000	30,000	15,900	-	-	45,900
Reverse takeover transaction (Note 3)	-	-	1,182,579	886,933	417,970	38,000	-	1,342,903
Share-based compensation (Note 8(i)(ii)(iii))	-	-	-	-	-	664,200	-	664,200
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(2,724,353)	(2,724,353)
<b>Balance, December 31, 2015</b>	<b>\$</b>	<b>-</b>	<b>14,943,980</b>	<b>\$ 1,914,635</b>	<b>\$ 1,204,450</b>	<b>\$ 1,252,200</b>	<b>\$ (3,865,285)</b>	<b>\$ 506,000</b>
<b>Balance, March 31, 2016</b>	<b>\$</b>	<b>216,801</b>	<b>14,983,980</b>	<b>\$ 1,943,035</b>	<b>\$ 1,196,050</b>	<b>\$ 1,252,200</b>	<b>\$ (4,133,308)</b>	<b>\$ 474,778</b>
Equity financing (Note 6(b)(v)(vi)(vii)(viii))	(216,801)	-	5,486,834	1,354,822	767,479	-	-	1,905,500
Issuance of broker units (Note 6(b)(xi))	-	-	174,999	50,750	36,750	-	-	87,500
Costs of issue (Note 6(b)(viii))	-	-	-	(31,623)	-	-	-	(31,623)
Shares issued for debt settlement (Note 6(b)(ix))	-	-	1,325,377	703,713	-	-	-	703,713
Bonus shares issued (Note 6(b)(x))	-	-	1,050,000	951,000	-	-	-	951,000
Shares issued for exercise of warrants	-	-	2,681,666	1,340,833	-	-	-	1,340,833
Reclassification of fair value of warrants exercised	-	-	-	504,834	(504,834)	-	-	-
Share-based compensation (Note 8(iv))	-	-	-	-	-	282,991	-	282,991
Net loss and comprehensive loss for the period	-	-	-	-	-	-	(2,917,879)	(2,917,879)
<b>Balance, December 31, 2016</b>	<b>\$</b>	<b>-</b>	<b>25,702,856</b>	<b>\$ 6,817,364</b>	<b>\$ 1,495,445</b>	<b>\$ 1,535,191</b>	<b>\$ (7,051,187)</b>	<b>\$ 2,796,813</b>

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

**BELEAVE INC.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**Nine Months Ended  
December 31,  
2016                      2015**

**Cash (used in) provided by:**

**Operating Activities**

Net loss for the period **\$ (2,917,879)    \$ (2,724,353)**

Add items not affecting cash:

Listing cost - non-cash **-                      1,420,571**

Loss on debt settlement (Note 6(b)(iii)(ix)) **56,538                      44,512**

Share-based compensation (Note 8) **1,122,991                      664,200**

**(1,738,350)                      (595,070)**

Net changes in non-cash working capital items:

Sales tax receivable **(117,368)                      -**

Prepaid expenses **776                      -**

Accounts payable and accrued liabilities **1,076,698                      339,821**

**Net cash used in operating activities                      (778,244)                      (255,249)**

**Investing Activities**

Purchase of property, plant and equipment (Note 5) **(825,391)                      (39,310)**

**Net cash used in investing activities                      (825,391)                      (39,310)**

**Financing Activities**

Proceeds from issuance of  
common shares (Note 6(b)(v)(vi)(vii)(viii)) **1,905,500                      182,465**

Cost of issue **(31,623)                      -**

Proceeds from exercise of warrants **1,340,833                      -**

**Net cash provided by financing activities                      3,214,710                      182,465**

**Net increase (decrease) in cash and cash  
equivalents during the period                      1,611,075                      (112,094)**

**Cash acquired from the RTO transaction (Note 3)                      -                      5,137**

**Cash and cash equivalents, beginning of period                      230,694                      231,103**

**Cash and cash equivalents, end of period                      \$ 1,841,769                      \$ 124,146**

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

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**BELEAVE INC.****Notes to the Condensed Interim Consolidated Financial Statements****Three and Nine Months Ended December 31, 2016****(Expressed in Canadian Dollars)****(Unaudited)**

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**1. Nature of operations and going concern**

Beleave Inc. (formerly known as Stream Ventures Inc. ("Stream")) ("Beleave" or the "Company") was incorporated under the Business Corporations Act (Ontario) on May 26, 2000, and had no operations and was seeking new business opportunities.

First Access Medical Inc. ("FAM") was incorporated on July 8, 2013 under the Canada Business Corporation Act. FAM is in the application process and has submitted its application to Health Canada (Healthy Environments and Consumer Safety Branch) on January 31, 2014 to become a "Licensed Producer" under the Marihuana for Medical Purposes Regulations (the "MMPR").

On December 22, 2015, the Company entered into an acquisition agreement with FAM pursuant to which the Company acquired from the FAM shareholders all of the issued and outstanding shares of FAM in exchange for an equal number of common shares in the Company (the "Transaction"). Upon completion of the Transaction FAM became a wholly-owned subsidiary of the Company and Stream changed its name to Beleave Inc. on December 16, 2015. The common shares of Beleave are listed on the Canadian Securities Exchange (the "Exchange") under the trading symbol "BE". The Company registered office and its main facility in development is located at 1653 Hwy 6 North, Hamilton, Ontario.

As at the date of the preparation of the unaudited condensed interim consolidated financial statements, the main activities of the Company are conducted to comply with MMPR and preparation of facilities.

These unaudited condensed interim consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

During the nine months ended December 31, 2016, the Company had not yet achieved profitable operations, incurred a net loss of \$2,917,879 (nine months ended December 31, 2015 - loss of \$2,724,353) and, as of that date, the Company has an accumulated deficit of \$7,051,187 (March 31, 2016 - \$4,133,308). The Company will require additional financing in order to conduct its planned business operations, meet its ongoing levels of corporate overhead and discharge its liabilities and commitments as they come due, all of which casts substantial doubt upon the Company's ability to continue as a going concern.

Management's view is that the success of the Company is dependent upon financing the remaining portion of its capital requirements and, obtaining approval from Health Canada in order to produce, sell and distribute medicinal cannabis in Canada and achieving profitable operations.

The unaudited condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and their classifications. Such adjustments if required, could be material.

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**BELEAVE INC.****Notes to the Condensed Interim Consolidated Financial Statements**  
**Three and Nine Months Ended December 31, 2016**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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**2. Basis of presentation***(a) Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of February 28, 2017, the date the Board of Directors approved the statements.

The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent audited consolidated financial statements as at and for the year ended March 31, 2016.

*(b) Recent accounting pronouncements*

(i) IFRS 9, Financial Instruments ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement ("IAS 39") for debt instruments with a new mixed measurement model having only two categories; amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 will be effective for accounting periods beginning on January 1, 2018. The Company is in the process of assessing the impact of this pronouncement. The extent of impact has not yet been determined.

(ii) IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contract with a customer, regardless of type of revenue transaction or the industry. IFRS 15 will also apply to the recognition and measurement of gains and losses on sale of certain non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is evaluating the potential impact of this new standard on the unaudited condensed interim consolidated financial statements.

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**BELEAVE INC.****Notes to the Condensed Interim Consolidated Financial Statements**  
**Three and Nine Months Ended December 31, 2016**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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**2. Basis of presentation (continued)**

## (c) Recent accounting pronouncements (continued)

(iii) IFRS 16 - Leases ("IFRS 16") was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS17 - Leases. The IAS issued its standard as part of a joint project with the Financial Accounting Standards Board ("FASB"). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognize most leases on their statement of financial position.

The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 - Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The Company is still in the process of assessing the impact of this pronouncement.

Various other accounting pronouncements (such as IFRS 14, and the various annual improvements) that have no material impact to the Company are not included above. The Company has not early adopted these standards.

**3. Reverse takeover transaction**

On December 22, 2015, FAM completed a reverse takeover ("RTO") of Stream. As a result of the RTO, FAM became a direct, wholly-owned subsidiary of Stream. The RTO was treated as an issuance of common shares by the continuing entity of FAM.

The shareholders equity accounts as at December 22, 2015 of the Company represented the gross proceeds of the issuance of common shares. The net proceeds from the transaction are:

**Equity consideration to shareholder of Stream**

	<b>Number</b>	<b>Amount</b>
Beleave common shares	1,182,579	\$ 886,933
Beleave warrants	700,000	417,970
Beleave options	60,000	38,000
		1,342,903
<b>Net working capital deficiency acquired from Stream</b>		
Cash		(5,137)
Accounts payable and accruals		82,805
		1,420,571
Transaction costs		47,500
<b>Listing costs</b>		<b>\$ 1,468,071</b>

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**BELEAVE INC.**

**Notes to the Condensed Interim Consolidated Financial Statements**  
**Three and Nine Months Ended December 31, 2016**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

**3. Reverse takeover transaction (continued)**

In accordance with IFRS 3, Business Combinations, the substance of the transaction is a reverse takeover of a non-operating company. The transaction does not constitute a business combination as the Company does not meet the definition of a business under the standard. As a result, the transaction is accounted for as an acquisition of a stock exchange listing with FAM being identified as the acquirer and the equity consideration being measured at fair value.

**4. Cash and cash equivalents**

	December 31, 2016	March 31, 2016
Cash at bank and in hand	\$ 1,841,769	\$ 230,694

**5. Property, plant and equipment**

	Production	IT and related	Leasehold	Total
<b><u>Cost</u></b>				
At March 31, 2016	\$ 148,272	\$ 241,475	\$ 512,038	\$ 901,785
Additions	-	260,420	564,971	825,391
<b>At December 31, 2016</b>	<b>\$ 148,272</b>	<b>\$ 501,895</b>	<b>\$ 1,077,009</b>	<b>\$ 1,727,176</b>
<b><u>Accumulated depreciation</u></b>				
At March 31, 2016 and December 31, 2016	\$ -	\$ -	-	\$ -
<b><u>Carrying value</u></b>				
At March 31, 2016	\$ 148,272	\$ 241,475	\$ 512,038	\$ 901,785
<b>At December 31, 2016</b>	<b>\$ 148,272</b>	<b>\$ 501,895</b>	<b>\$ 1,077,009</b>	<b>\$ 1,727,176</b>

Items of property, plant and equipment for \$1,727,176 (March 31, 2016 - \$901,785) have not been depreciated, since they are related to a production facility in development and were not ready for the use as of December 31, 2016 and March 31, 2016.

**6. Share capital****(a) Authorized:**

The Company is authorized to issue an unlimited number of common shares with no par value.

**(b) Issued common shares:**

	Number of shares	Amount
<b>Balance, March 31, 2015</b>	<b>13,216,667</b>	<b>\$ 753,125</b>
Shares issued on private placement, net of issue costs (i)(ii)	276,666	131,865
Shares issued for debt settlement (iii)	228,068	112,712
Shares issued for services (iv)	40,000	30,000
Shares issued relating to the RTO (Note 3)	1,182,579	886,933
<b>Balance, December 31, 2015</b>	<b>14,943,980</b>	<b>\$ 1,914,635</b>

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**BELEAVE INC.****Notes to the Condensed Interim Consolidated Financial Statements**  
**Three and Nine Months Ended December 31, 2016**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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**6. Share capital (continued)****(b) Issued common shares (continued):**

<b>Balance, March 31, 2016</b>	<b>14,983,980</b>	<b>\$ 1,943,035</b>
Shares issued on private placement, net of issue costs (v)(vi)(vii)(viii)	5,486,834	1,323,199
Shares issued in broker units (xi)	174,999	50,750
Shares issued for debt settlement (ix)	1,325,377	703,713
Shares issued for exercise of warrants	2,681,666	1,340,833
Reclassification of fair value of warrants exercised	-	504,834
Bonus shares issued (x)	1,050,000	951,000
<b>Balance, December 31, 2016</b>	<b>25,702,856</b>	<b>\$ 6,817,364</b>

(i) During April and May 2015 the Company completed a non-brokered placement raising aggregate gross proceeds of \$90,000 through the sale of 180,000 units at \$0.50 per unit. Each unit comprised one common share and one warrant of the Company. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of \$30,600 (Assumptions used were as follows: expected volatility – 151.21%, risk-free interest rate – 0.57%, expected dividend yield – 0% and expected life of 1 year).

(ii) Concurrent with the RTO, the Company issued 96,666 subscription receipts to be automatically exchanged for shares at a price of \$0.75 per subscription receipt for gross proceeds of \$72,500.

(iii) On August 31, 2015 the Company settled an outstanding payable with value of \$35,000 by issuing 70,000 units exercisable at \$0.50 per unit. Each unit comprised one common share and one warrant of the Company and are exercisable at a price of \$0.50 into one common share until the date that is earlier of: (a) 30 days following the date the Company provides notice to warrant holders that it has received its licence to produce marihuana from Health Canada; or (b) March 20, 2017. Based on the Black-Scholes pricing model, the warrants included in these units have been allocated a fair value of \$27,800 using the following inputs/assumptions: expected volatility - 107.19%, risk-free interest rate - 0.44%, expected dividend yield - 0% and expected life of 1 year. As a result of this transaction a loss on debt settlement of \$45,300 was recognized.

On December 1, 2015, the Company issued 158,068 common shares with a fair value of \$57,212 to settle debts in amount of \$58,000. As a result of this settlement, a gain on debt settlement of \$788 was recognized.

(iv) On August 31, 2015 the Company issued 40,000 units to a service provider exercisable at \$0.50 per unit. Each unit comprised one common share and one warrant of the Company and are exercisable into one common share until the date that is the earlier of: (a) 30 days following the date the Company provides notice to warrant holders that it has received its licence to produce marihuana from Health Canada; or (b) March 20, 2017. Based on the Black-Scholes pricing model, the warrants included in these units had an estimated fair value of \$15,900 (Assumptions/inputs used were as follows: expected volatility – 107.19%, risk-free interest rate – 0.44%, expected dividend yield – 0% and expected life of 1 year).

(v) On April 12, 2016, the Company closed the first tranche of a private placement financing for gross proceeds of \$439,301. Upon closing the financing, Beleave issued 1,464,336 units at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of \$0.50 for a period of two years from closing. A director of the Company has also participated in the financing. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of \$155,220 (Assumptions used were as follows: expected volatility – 120.3%, risk-free interest rate – 0.58%, expected dividend yield – 0% and expected life of 2 years). \$216,801 of these proceeds were received prior to the March 31, 2016 year end.

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**BELEAVE INC.****Notes to the Condensed Interim Consolidated Financial Statements****Three and Nine Months Ended December 31, 2016****(Expressed in Canadian Dollars)****(Unaudited)**

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**6. Share capital (continued)****(b) Issued common shares (continued):**

(vi) On June 9, 2016, the Company announced that it has closed a second tranche of a private placement financing for gross proceeds of \$28,000. Upon closing the financing, Beleave issued 93,332 units at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of \$0.50 for a period of two years from closing. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of \$9,613 (Assumptions used were as follows: expected volatility – 113.7%, risk-free interest rate – 0.52%, expected dividend yield – 0% and expected life of 2 years).

(vii) On September 21, 2016, Beleave closed a non-brokered private placement financing for gross proceeds of \$1,405,000. Pursuant to the non-brokered private placement financing the Company issued an aggregate of 3,512,500 units at a price of \$0.40 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of \$0.50 for a period of two years from date of closing. The common shares and warrants issued pursuant to the financing are subject to a four-month hold period. No finder's fees were paid in connection with the financing. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of \$509,313 (Assumptions used were as follows: expected volatility – 98.36%, risk-free interest rate – 0.57%, expected dividend yield – 0% and expected life of 2 years).

(viii) On October 6, 2016, Beleave closed a non-brokered private placement financing for gross proceeds of \$250,000. Upon closing the financing, Beleave issued 416,666 units at a price of \$0.60 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of \$0.75 for a period of two years from closing. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of \$93,333 (Assumptions used were as follows: expected volatility – 102.91%, risk-free interest rate – 0.57%, expected dividend yield – 0% and expected life of 2 years). The Company incurred a total cost of issue of \$31,623. The common shares and warrants issued pursuant to the financing are subject to a four-month hold period.

(ix) The Company completed a shares-for-debt transaction during the nine months ended December 31, 2016 with related parties and other parties of the Company whereby the Company issued common shares for the settlement of the amounts owing to such creditors. Pursuant to the debt settlement, the Company settled \$703,713 of existing debt through the issuance of 1,325,377 shares. Included in the debt settlement was 445,095 common shares issued to its officers in lieu of cash for consulting fees in the amount of \$190,770. A loss on debt settlement of \$35,538 was recorded in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

(x) The Company has agreed to issue common shares to employees and consultants of the Company based on certain milestones being achieved in the MMPR licensing process. During the nine months ended December 31, 2016, the Company issued 1,050,000 shares valued at \$951,000. A loss on settlement of the shares of \$21,000 was included in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

(xi) During the three and nine months ended December 31, 2016, in settlement of accrued liabilities of \$87,500, the Company issued 174,999 broker units with each unit consisting of one common share of the Company and one warrant exercisable for one common share of the Company at \$0.5 per share expiring on the date that is earlier of: (i) 30 days following the date of the Company provides notice to the warrant holders that it has received its license to produce marijuana for medical purposes from Health Canada, and (ii) March 4, 2017. 58,333 of these units remained outstanding as at December 31, 2016 (note 7).

**BELEAVE INC.**
**Notes to the Condensed Interim Consolidated Financial Statements**  
**Three and Nine Months Ended December 31, 2016**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**
**7. Warrants**

As of December 31, 2016 and 2015, the Company has the following warrants outstanding with the corresponding average exercise prices:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
<b>Balance at March 31, 2015</b>	<b>3,466,667</b>	<b>\$ 0.50</b>
Warrants from private placement (Note 6(b)(i))	180,000	0.50
Warrants from debt settlement (Note 6(b)(ii))	70,000	0.50
Warrants issued for services (Note 6(b)(iii))	40,000	0.50
Warrants issued relating to the RTO (Note 3)	700,000	0.50
<b>Balance at December 31, 2015</b>	<b>4,456,667</b>	<b>\$ 0.50</b>
<b>Balance at March 31, 2016</b>	<b>4,416,667</b>	<b>\$ 0.50</b>
Warrants issued (Note 6(b)(v)(vi)(vii)(viii))	5,486,834	0.52
Warrants issued in Broker Units (Note 6(b)(xi))	174,999	0.50
Warrants exercised	(2,681,666)	0.50
Expiring of broker warrants	(250,000)	0.50
<b>Balance at December 31, 2016</b>	<b>7,146,834</b>	<b>\$ 0.51</b>

The following table reflects the actual warrants issued and outstanding as of December 31, 2016:

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>Number of warrants</b>	<b>Fair value (\$)</b>
March 2017 (i)	0.50	1,543,333	371,829
June 2017	0.50	700,000	417,970
April 2018	0.50	881,003	93,387
June 2018	0.50	93,332	9,613
September 2018	0.50	3,512,500	509,313
October 2018	0.75	416,666	93,333
		<b>7,146,834</b>	<b>1,495,445</b>

(i) These warrants expire on the date that is earlier of: (i) 30 days following the date of the Company provides notice to the warrant holders that it has received its license to produce marijuana for medical purposes from Health Canada, and (ii) March 4, 2017.

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**BELEAVE INC.****Notes to the Condensed Interim Consolidated Financial Statements**  
**Three and Nine Months Ended December 31, 2016**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

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**8. Share-based compensation and stock options**

The following table shows the continuity of options:

	Number of options	Weighted average exercise price
<b>Balance, March 31, 2015</b>	<b>1,250,000</b>	<b>\$ 0.50</b>
Granted (i)	1,250,000	0.50
Granted (ii)	80,000	0.50
Granted (iii)	90,000	0.50
Options issued relating to the RTO (Note 3)	60,000	0.50
<b>Balance, December 31, 2015</b>	<b>2,730,000</b>	<b>\$ 0.50</b>
<b>Balance, March 31, 2016</b>	<b>2,730,000</b>	<b>\$ 0.50</b>
Granted (iv)	790,000	0.50
Forfeited	(560,000)	0.50
<b>Balance, December 31, 2016</b>	<b>2,960,000</b>	<b>\$ 0.50</b>

- (i) On May 5, 2015 the Company approved the grant of 1,250,000 options to various parties to purchase common shares. Each option is exercisable into one common share until the date that is the earlier of: (a) five years from the date that Company completes a public listing; or (b) six years from the date of grant at an exercise price of \$0.50. Based on the Black-Scholes pricing model, these options had an estimated fair value of \$562,500 which vested immediately.
- (ii) On June 25, 2015 the Company approved the grant of 80,000 options to various parties to purchase common shares. Each option is exercisable into one common share until the date that is the earlier of: (a) five years from the date that Company completes a public listing; or (b) six years from the date of grant at an exercise price of \$0.50. Based on the Black-Scholes pricing model, these options had an estimated fair value of \$36,000 which vested immediately.
- (iii) On September 17, 2015 the Board of Directors approved special compensation to advisors of the Company granting 90,000 options to purchase common shares. Each option is exercisable into one common share until the date that is the earlier of: (a) five years from the date that Company completes a public listing; or (b) six years from the date of grant at an exercise price of \$0.50. Based on the Black-Scholes pricing model, these options had an estimated fair value of \$65,700 which vested immediately.

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**BELEAVE INC.****Notes to the Condensed Interim Consolidated Financial Statements**  
**Three and Nine Months Ended December 31, 2016**  
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**8. Share-based compensation and stock options (continued)**

- (iv) On June 27, 2016 the Company approved the grant of 790,000 options to various parties to purchase common shares with an exercise price of \$0.50. 480,000 of these options expire in 5 years and 310,000 options expire in two years. Based on the Black-Scholes pricing model, 480,000 of the options had an estimated fair value of \$204,340 which vested immediately and 310,000 had an estimated fair value of \$78,651 which vested immediately.

The following table reflects the actual stock options issued and outstanding as of December 31, 2016:

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Number of options outstanding</b>	<b>Number of options vested (exercisable)</b>
June 27, 2018	0.50	1.49	310,000	310,000
March 28, 2020	0.50	3.24	750,000	750,000
December 22, 2020	0.50	3.98	1,330,000	1,330,000
September 17, 2021	0.50	4.72	90,000	90,000
June 27, 2021	0.50	4.49	480,000	480,000
		<b>3.64</b>	<b>2,960,000</b>	<b>2,960,000</b>

**9. Net loss per common shares**

The calculation of basic and diluted loss per share for the three and nine months ended December 31, 2016 was based on the loss attributable to common shareholders of \$860,414 and \$2,917,879, respectively (three and nine months ended December 31, 2015 - loss of \$1,884,582 and \$2,724,353, respectively) and the weighted average number of common shares outstanding of 24,453,131 and 20,536,619, respectively (three and nine months ended September 30, 2015 - 13,683,354 and 13,463,341 respectively).

**10. Related party transactions**

The Company transacts with related parties in the normal course of business. These transactions are measured at their exchange amounts.

Companies owned and/or controlled by certain directors of the Company provided services or sale of items of property and equipment which are included in the financial statements as follows:

	<b>Three months ended December 31, 2016</b>	<b>Three months ended December 31, 2015</b>	<b>Nine months ended December 31, 2016</b>	<b>Nine months ended December 31, 2015</b>
<b>Expenses:</b>				
Rent	\$ 18,000	\$ 20,340	\$ 54,000	\$ 61,020

See Note 6(ix) for shares-for-debt transaction with officers.

As at December 31, 2016, there was \$149,685 (March 31, 2016 - \$46,740) outstanding payables to related parties.

A director of the Company has participated in the April 12, 2016 financing (Note 6(b)(v)).

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**BELEAVE INC.****Notes to the Condensed Interim Consolidated Financial Statements**  
**Three and Nine Months Ended December 31, 2016**  
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**10. Related party transactions (continued)**

Key management compensation is comprised of the following:

	Three months ended December 31, 2016	Three months ended December 31, 2015	Nine months ended December 31, 2016	Nine months ended December 31, 2015
Short term benefits	\$ 213,042	\$ -	\$ 1,167,042	\$ -
Share-based compensation	-	-	84,374	303,900

**11. Segmented information**

The Company operates in only one business segment, namely as an applicant to be a licensed producer of marihuana for medical purposes. All of the Company's assets are located in Canada.

**12. Commitments**

On July 1, 2015 the Company signed a long term net lease agreement with a related party for a term of 8.5 years and the option to extend the lease for 5 years, twice. For the first 3.5 years, the net rent payable is \$14,875 monthly until December 2018, with 5% annual increase from January 1st, 2019 and each subsequent year.

The Company has agreed to issue common shares to employees and consultants of the Company based on certain milestones being achieved in the MMPR licensing process. As of December 31, 2016, the Company issued 1,050,000 shares.

The total number of shares to be issued over the term of the agreement is 5,750,000. As no additional milestones have been met, no portion of these shares has been accrued.

**13. Subsequent events**

(i) Subsequent to December 31, 2016, 1,054,706 warrants with an exercise price of \$0.50 were exercised for aggregate cash proceeds of \$527,353.

(ii) Subsequent to December 31, 2016, the Company granted 1,320,000 options exercisable at \$1.75 per common share to various consultants and members of the board of directors. All options expire five years from grant.

(iii) Subsequent to December 31, 2016, the Company entered into a debt settlement agreement with certain consultants and directors whereby Beleave settled \$149,685 of its outstanding payables through the issuance of 100,460 common shares at a deemed price of \$1.49 per common share.