HAENEP SOURCE, LLC

Financial Statements
(Expressed in United States dollars)

For the years ended December 31, 2016 and 2015
HaenepSource, LLC is the operating company that merged with Holy Grail Company (OTC:HGRL) on February 24th, 2017

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Haenep Source LLC

We have audited the accompanying balance sheets of Haenep Source LLC as of December 31, 2016 and 2015, and the related statements of operations and comprehensive loss, changes in members' deficiency, and cash flows for the years then ended. Haenep Source LLC's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Haenep Source, LLC is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Haenep Source, LLC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Haenep Source LLC as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on Haenep Source, LLC's ability to continue as a going concern.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 15, 2017

HAENEP SOURCE, LLC
(expressed in United States dollars)

Balance Sheets

As at December 31,		**2016**		**2015**
ASSETS				
Current assets				
Cash	**$**	**85,014**	$	75,885
Trade and other receivables, net of allowance for doubtful accounts $28,202 (2015 - $nil)		**29,218**		48,259
Prepaid expenses and deposits		**9,546**		25,214
Inventory *(note 3)*		**340,952**		496,937
Total Current Assets		**464,730**		646,295
Non-current assets				
Equipment *(note 4)*		**19,983**		36,408
Intangible assets *(note 5)*		**3,792**		7,125
TOTAL ASSETS	**$**	**488,505**	$	689,828
LIABILITIES AND MEMBERS' DEFICIENCY				
Current liabilities				
Accounts payable *(note 8)*	**$**	**673,040**	$	720,204
Accrued liabilities		**32,502**		23,192
Deferred revenue		**40,500**		94,405
Due to related party *(note 8)*		**2,905**		7,924
Notes payable to related parties, current portion *(note 6)*		**602,371**		354,154
Notes payable, current portion *(note 7)*		**83,234**		-
Loans payable *(note 7)*		**112,900**		108,288
Total Current Liabilities		**1,547,452**		1,308,167
Non-current liabilities				
Notes payable to related parties, non-current portion (*note 6*)		**50,660**		-
TOTAL LIABILITIES		**1,598,112**		-
Members' Deficiency				
Members capital *(2,000 issued and authorized) (note 10)*		**345,000**		-
Contributed surplus *(note 6)*		**101,306**		101,306
Accumulated deficit		**(1,555,913)**		(719,645)
Total Members' Deficiency		**(1,109,607)**		(618,339)
TOTAL LIABILITIES AND MEMBERS' DEFICIENCY	**$**	**488,505**	$	689,828

The accompanying notes are an integral part of these financial statements.
Going Concern (Note 1); Subsequent Events (Note 12)

Approved by the Board:

Signed "Jason Golec"
Director

(expressed in United States dollars)

Statements of Operations and Comprehensive Loss
For the years ended December 31, 2016 and 2015

		2016		2015
Revenues *(note 8)*	**$**	**1,218,213**	$	2,125,277
Cost of Goods Sold		**776,944**		1,549,120
Gross Profits		**441,269**		576,157
Operating Expenses:				
Salaries and wages *(note 8)*		**370,075**		363,424
Professional fees		**234,636**		233,049
Share-based compensation (note 10)		**245,000**		-
Advertising and promotion		**52,560**		88,931
General and administrative		**97,390**		103,385
Travel and entertainment		**24,452**		55,394
Depreciation and amortization (notes 4 & 5)		**20,008**		16,367
Bad debt expense *(note 8)*		**33,354**		32,422
Write-off of prepaid expense		**-**		50,045
Total operating expenses		**1,077,475**		943,017
Net loss from operations before interest expense		**(636,206)**		(366,860)
Interest expense		**200,062**		45,098
Net and comprehensive loss	**$**	**(836,268)**	$	(411,958)

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

(expressed in United States dollars)

Statements of Changes in Members' Deficiency
For the years ended December 31, 2016 and 2015

	Member Capital				
	Units	Amount	Contributed Surplus	Accumulated Deficit	Total
December 31, 2014	2,000	$ -	$ -	$ (307,687)	$ (307,687)
Related party debt forgiveness *(note 6)*	-	-	101,306	-	101,306
Net loss	-	-	-	(411,958)	(411,958)
December 31, 2015	**2,000**	**-**	**101,306**	**(719,645)**	**(618,339)**
Shares cancelled	(1,380)	-	-	-	-
Share-based compensation	980	245,000	-	-	245,000
Membership units for cash	400	100,000	-	-	100,000
Net loss	-	-	-	(836,268)	(836,268)
December 31, 2016	**2,000**	**$ 345,000**	**$ 101,306**	**$ (1,555,913)**	**$ (1,109,607)**

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

HAENEP SOURCE, LLC
(expressed in United States dollars)

Statements of Cash Flows
For the years ended December 31, 2016 and 2015

	2016	2015
Cash flow used in operating activities		
Net loss	**$ (836,268)**	$ (411,958)
Items not affecting cash		
Depreciation and amortization	**20,008**	16,367
Interest expense	**40,611**	25,425
Share-based compensation	**245,000**	-
Net changes in non-cash working capital items		
Trade and other receivables	**19,041**	(12,922)
Prepaid expenses and deposits	**15,668**	(18,553)
Inventory	**155,985**	(293,066)
Accounts payable and accrued liabilities	**(37,854)**	449,916
Deferred revenue	**(53,905)**	94,105
Due to related party	**(5,019)**	-
	(463,733)	(150,686)
Cash flow used in investing activities		
Acquisition of equipment	**(250)**	(24,321)
Acquisition of intangible assets	**-**	(2,750)
	(250)	(27,071)
Cash flow from financing activities		
Issuance of notes payable, net of repayments	**341,500**	89,547
Issuance of loans payable, net of repayments	**4,612**	96,259
Members' capital issued for cash	**100,000**	-
	446,112	185,806
Increase in cash	**9,129**	8,049
Cash, beginning of year	**75,885**	67,836
Cash, end of year	**$ 85,014**	$ 75,885

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Haenep Source, LLC ("Haenep Source" or the "Company"), is a limited liability company formed in the State of California. It was incorporated on April 23, 2014. The Company's head office is located at 27576 Commerce Center Drive, Suite 114, Temecula, California.

The Company is engaged in the distribution of legal Hemp based products under the name Holy Grail.

To date, the Company has not yet realized sustainable profitable operations resulting in an accumulated deficit of $1,555,913 at December 31, 2016 (December 31, 2015 - $719,645). As at December 31, 2016, the Company had cash of $85,014 (December 31, 2015 - $75,885) to settle current liabilities of $1,547,452 (December 31, 2015 - $1,308,178). To date, the Company's cash flow requirements have been met through proceeds from notes payable issued to related parties and bank loans. In order to meet future expenditures and cover operating expenses, the Company will need to raise additional financing. There is no assurance that financing will continue to be available to the Company. These factors cast substantial doubt about the Company's ability to continue as a going concern.

These financial statements have been prepared on the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business . The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION, STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared following generally accepted accounting principles in the United States ("US GAAP"), and are expressed in United States dollars ("US dollars"), unless otherwise noted.

b) Basis of presentation

The financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value.

c) Significant accounting estimates and judgments

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The financial statements include judgments and estimates which, by their nature, are uncertain. The impact of such judgments and estimates is pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences

2. BASIS OF PRESENTATION, STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Significant accounting estimates and judgments (continued)

Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

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

Allowance for Bad Debts
The Company establishes an appropriate provision for uncollectible or doubtful accounts. Estimates of recoverable amounts are based on management's best estimate of a customer's ability to settle its obligations, and actual amounts received may be affected by various factors, including industry conditions and changes in individual customer financial conditions. To the extent that actual losses on uncollectible accounts differ from those estimated in the Company's provision, both accounts receivable and net earnings will be affected.

Provisions for Inventory
Management makes estimates of the future customer demand for the Company's products when establishing appropriate provisions for inventory. In making these estimates, management considers product life of inventory and the profitability of recent sales of inventory. Management ensures that systems are in place to highlight and properly value inventory that may be approaching "best before" dates. To the extent that actual losses on inventory differ from those estimated, both inventory and net earnings will be affected.

Financial instruments

The Company estimates the fair value of financial instruments using the available market information and valuation methods. Considerable judgment is required in estimating fair value. Accordingly, the estimates of fair value may not be indicative of the amounts the Company could realize in a current market exchange.

The Company follows FASB ("Paragraph 820-10-35-37") to measure the fair value of its financial instruments. US GAAP establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy are described below:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 - Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

2. BASIS OF PRESENTATION, STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. The notes payable are classified as Level 2 financial liabilities.

As of December 31, 2016 and 2015, the carrying value of trades and other receivables, accounts payable, accrued liabilities, notes payable, due to related party and loan payable approximated fair value due to the short-term nature of these instruments. The notes payable to related parties approximated fair value as there has not been any significant changes in interest rates since initial recognition.

Inventory

Inventory is valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis. Net realizable value represents the anticipated selling price less all further costs necessary to complete the sale. The cost of finished goods inventory consists of raw materials and the cost to convert the raw materials to saleable products. Conversion costs include labor and overhead costs.

Equipment and depreciation

Equipment is carried at cost less accumulated depreciation and any impairment in value. The initial cost of equipment is comprised of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is calculated using the straight-line method over the estimated useful lives of the equipment as follows:

Equipment	3 years

The useful lives and depreciation methods are reviewed periodically to ensure that the period and methods of depreciation are consistent with the expected pattern of economic benefits from equipment.

Depreciation of equipment commences when the equipment is available for use and when the equipment is in the necessary location and condition to be capable of operating in the manner intended by management.

Website Development Costs

Website development costs consist of costs incurred to develop the internet website to earn revenue through direct online sales with respect to the Company’s business operations. Costs are capitalized and are amortized over the estimated useful life of the website commencing upon its completion. The Company ceased capitalizing website development costs and began amortizing the capitalized costs over the useful life of three years upon the commercial launch of the website in April 2015.

2. BASIS OF PRESENTATION, STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

A United States limited liability company with multiple members may elect to be treated as a corporation under the Federal income tax laws. As of the date of this report, the Company has not made such an election and is continuing to be treated as a partnership with flow-through taxation to the members of the Company. The Company is not itself liable for income tax. As a result, no provision for income taxes has been recorded in the Company. Each Member will generally be required to include, in computing his or her income or loss for tax purposes for a taxation year, his or her share of the income or loss for tax purposes for each fiscal year of the Company.

Member Capital

Member units are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

Revenue recognition

Revenue is recognized when it is earned: specifically, when products are shipped to or picked up by customers, there is clear evidence that an arrangement exists, amounts to be received are fixed or determinable and the ability to collect is reasonably assured. At this point, the risks and rewards of ownership have transferred to the buyer, revenue can be reliably measured and it is probable that the economic benefits will flow to the Company. Sales returns and allowances are treated as reductions to revenue and are provided for based on historical experience and current estimates.

Deferred revenue

From time to time the Company requires prepayments for deposits in advance of delivery of products. Such amounts are initially recorded as deferred revenue. The Company recognizes such revenue as it is earned in accordance with revenue recognition policies.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing the performance of the operating segments. The Company operates and reports its results as one operating segment.

Contingencies

A contingency is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an overflow of economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at December 31, 2016 and 2015.

2. BASIS OF PRESENTATION, STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09: Revenue from Contracts with Customers. The standard outlines a five-step model for revenue recognition with the core principle being that a company should recognize revenue when it transfers control of goods or services to customers at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. Companies can choose to apply the standard using either the full retrospective approach or a modified retrospective approach. Under the modified approach, financial statements will be prepared for the year of adoption using the new standard but prior periods presented will not be adjusted. Instead, companies will recognize a cumulative catch-up adjustment to the opening balance of retained earnings. This new guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company has not yet made a determination as to the method of application (full retrospective or modified retrospective). It is too early to assess whether the impact of the adoption of this new guidance will have a material impact on the Company's results of operations or financial position.

In August 2014, the FASB issued a new financial accounting standard on going concern, Update 2014-15, “Presentation of Financial Statements – Going Concern (subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern.” The standard provides guidance about management’s responsibility to evaluate whether there is substantial doubt about the organization’s ability to continue as a going concern. The amendments in this update apply to all companies. They become effective in the annual period ending after December 15, 2016, with early application permitted. The Company is currently evaluating the impact of this accounting standard.

In July 2015, the FASB issued ASU No. 2015-11, “Simplifying the Measurement of Inventory.” Under this ASU, inventory will be measured at the “lower of cost and net realizable value” and options that currently exist for “market value” will be eliminated. The ASU defines net realizable value as the “estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.” No other changes were made to the current guidance on inventory measurement. ASU 2015-11 is effective for interim and annual periods beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the impact of the accounting update on its financial statements.

In January 2016, the FASB issued ASU 2016-01, “Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities”. ASU 2016-01 requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income, requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. For the Company, ASU 2016-01 is effective for annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2017, and early adoption is permitted. The Company is currently evaluating the potential impact this standard may have on the financial statements and the timing of adoption.

(expressed in United States dollars)

2. BASIS OF PRESENTATION, STATEMENT OF COMPLIANCE AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements (continued)

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments-Credit Losses (Topic 326)” ("ASU 2016-13"). ASU 2016-13 requires that financial assets measured at amortized cost be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis. The income statement reflects the measurement of credit losses for newly recognized financial assets, as well as the expected credit losses during the period. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses rather than as a direct write-down to the security. For the Company, the amendments in this Update are effective for the fiscal year beginning after December 15, 2019, including interim periods within fiscal years; however, the Company is permitted to adopt the amendments in this Update earlier as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact of the guidance on its financial statements.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flow - Classification of Certain Cash Receipts and Cash Payments (Topic 230)” ("ASU 2016-15"), which addresses a few specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. For the Company, the amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within their fiscal years. Early adoption is permitted, including adoption in an interim period. If the Company early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period.

3. INVENTORY

	December 31, 2016	December 31, 2015
Raw materials and consumables	**$ 106,801**	$ 65,511
Finished goods	**234,151**	431,426
Total	**$ 340,952**	$ 496,937

As at December 31, 2016, the Company charged a total of $776,944 of inventory to cost of sales (December 31, 2015 - $1,497,250).

(expressed in United States dollars)

4. EQUIPMENT

		December 31, 2016		December 31, 2015
Production equipment - cost	**$**	**50,150**	$	49,900
Accumulated depreciation		**(30,167)**		(13,492)
Net book value	**$**	**19,983**	$	36,408

Depreciation for the year ended December 31, 2016 was $16,675 (December 31, 2015 - $13,492).

5. INTANGIBLE ASSETS

		December 31, 2016		December 31, 2015
Website development - cost	**$**	**10,000**	$	10,000
Accumulated amortization		**(6,208)**		(2,875)
Net book value		**3,792**	$	7,125

Amortization for the year ended December 31, 2016 was $3,333 (December 31, 2015 - $7,825). Amortization expense, assuming no future additions, is expected to be $3,333 in 2017 and $459 in 2018.

6. NOTES PAYABLE TO RELATED PARTIES

As of December 31,		2016		2015
Notes payable to Medical Marijuana Inc. (i)	**$**	**172,405**	$	157,295
Notes payable to General Hemp LLC (ii)		**107,255**		196,859
Notes payable to Scott Purdy (iii)		**107,400**		-
Notes payable to Mindshare Holdings Inc. (iv)		**104,465**		-
Notes payable to Jason Golec (v)		**20,420**		-
Notes payable to Villa Nicole Family Trust (vi)		**50,835**		-
Notes payable to Cat's Meow Trust (vii)		**50,835**		-
Notes payable to RADIUS Corp (viii)		**10,075**		-
Notes payable to Diana Golec (ix)		**10,075**		-
Notes payable to Eduardo Quiroz (x)		**19,266**		
Total notes payable	**$**	**653,031**	$	354,154
Less long-term portion:		**50,660**		-
Current portion	**$**	**602,371**	$	354,154

6. NOTES PAYABLE TO RELATED PARTIES (CONTINUED)

(i) Convertible promissory notes to Medical Marijuana Inc.

During the year ended December 31, 2015 the Company reached an agreement with respect to the debt owed to HempMeds whereby $101,306 of the balance was forgiven resulting in a gain on related party debt forgiveness recorded in contributed surplus. At the time of the transaction, the Company and HempMeds were considered to be related parties due to common control.

On December 9, 2015, the Company entered into an agreement with Medical Marijuana Inc., which is related to the Company by common control, whereby the parties offset $389,304 in related party accounts receivable against $381,878 in related party accounts payable *(note 8).* The remaining balance of $7,425 was applied against the outstanding note payable to Medical Marijuana Inc.

On December 9, 2015, the Company entered into a revised agreement to finalize the amount owing of $157,295 to Medical Marijuana, Inc. The loan had a maturity date of November 15, 2016 and bears interest at 8% per annum payable upon maturity. As of December 31, 2016, the loan is in default. The Company is currently renegotiating the terms of the loan. At any time on or after the issuance date, this note shall be convertible in whole or in part, as mutually agreed by the two parties.

During the period ended December 31, 2016 the Company recognized $15,110 (December 31, 2015 - $nil) in interest expense. Interest expense is recognized within notes payable.

(ii) Convertible promissory notes to General Hemp LLC

On December 9, 2015, the Company entered into an unsecured forbearance agreement with General Hemp, LLC which is related to the Company by joint control. Maturity dates for loans totalling $182,410 with an original expiry date of November 15, 2015 have been extended to November 15, 2016. The loans will continue to bear 8% interest per annum payable upon maturity.

On April 28, 2016, the Company entered into an Exchange and Release agreement with General Hemp, whereby General Hemp sold its membership interest in the Company. A total of $100,000 of the loans were repaid, with the remaining principal balance of $82,410 due on November 15, 2016. As of December 31, 2016, the loan is in default. The Company is currently renegotiating the terms of the loan.

During the year ended December 31, 2016 the Company recognized $10,396 (December 31, 2015 - $13,396) in interest expense. Interest expense is recognized within notes payable.

The convertible promissory note is convertible into membership units of the company, or common stock of the Company, at the option of the holder. The note is convertible at an amount equal to the outstanding principle and interest of the note discounted by 20% based upon the prior 30 day average closing price.

(iii) Convertible promissory note to Scott Purdy

On January 28, 2016, the Company issued a convertible promissory note in the amount of $100,000 to Malcolm Scott Purdy. The loan bears interest at the rate of 8% per annum and is payable upon maturity on January 28, 2017. Subsequent to year-end, the loan is in default. The Company is currently negotiating the terms of the loan.

During the year ended December 31, 2016 the Company recognized $7,400 (December 31, 2015 - $nil) in interest expense. Interest expense is recognized within notes payable.

6. NOTES PAYABLE TO RELATED PARTIES (CONTINUED)

The convertible promissory note is convertible in whole or in part at any time, as mutually agreed by the Company and the holder.

(iv) Convertible promissory note to Mindshare Holdings Inc.

On January 27, 2016, the Company issued a convertible promissory note in the amount of $50,000 to Mindshare Holdings Ltd. The loan bears interest at the rate of 8% per annum and is payable upon maturity on January 27, 2017. Subsequent to year-end, the loan is in default. The Company is currently negotiating the terms of the loan.

On October 20, 2016, the Company issued an additional convertible promissory note in the amount of $15,000 to Mindshare Holdings Ltd. The loan bears interest at the rate of 8% per annum and is payable upon maturity on October 20, 2017.

On November 2, 2016, the Company issued an additional convertible promissory note in the amount of $35,000 to Mindshare Holdings Ltd. The loan bears interest at the rate of 8% per annum and is payable upon maturity on November 2, 2017.

During the year ended December 31, 2016 the Company, in aggregate, recognized $4,465 (December 31, 2015 - $nil) in interest expense. Interest expense is recognized within notes payable.

The convertible promissory notes are convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.10 per share.

(v) Convertible promissory note to Jason Golec

On September 27, 2016 the Company issued a convertible promissory note in the amount of $20,000 to Jason Golec (a director of the Company). The loan bears interest at the rate of 8% per annum and is payable upon maturity on September 27, 2017.

During the period ended December 31, 2016 the Company recognized $420 (December 31, 2015 - $nil) in interest expense. Interest expense is recognized within notes payable.

The convertible promissory note is convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.047 per share.

(vi) Promissory note to Villa Nicole Family Trust

On May 3, 2016, the Company issued a promissory note in the amount of $25,000 to Villa Nicole Family Trust. The loan bears interest at the rate of 5% per annum and is payable monthly, with the principal and any unpaid interest payable upon maturity on May 3, 2018.

On October 1, 2016, the Company issued a convertible promissory note in the amount of $25,000 to Villa Nicole Family Trust. The loan bears interest at the rate of 8% per annum and is payable monthly, with the principal and any unpaid interest payable upon maturity on October 1, 2017. The convertible promissory note is convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.0475 per share.

6. NOTES PAYABLE TO RELATED PARTIES (CONTINUED)

During the year ended December 31, 2016 the Company recognized $835 (December 31, 2015 - $nil) in interest expense. Interest expense is recognized within notes payable.

(vii) Promissory note to Cat's Meow Trust

On May 3, 2016, the Company issued a convertible promissory note in the amount of $25,000 to Cat's Meow Trust. The loan bears interest at the rate of 5% per annum and is payable monthly, with the principal, and any unpaid interest payable upon maturity on May 3, 2018.

On October 1, 2016, the Company issued a convertible promissory note in the amount of $25,000 to Cat's Meow Trust. The loan bears interest at the rate of 8% per annum and is payable monthly, with the principal and any unpaid interest payable upon maturity on October 1, 2017. The convertible promissory note is convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.0475 per share.

During the year ended December 31, 2016 the Company recognized $835 (December 31, 2015 - $nil) in interest expense. Interest expense is recognized within notes payable.

(viii) Convertible promissory note to RADIUS Corp

On October 29, 2016, the Company issued a convertible promissory note in the amount of $20,000 to RADIUS Corp (a company whose owner is a close family member of a Director). The loan bears interest at the rate of 8% per annum and is payable upon maturity on October 29, 2017.

During the year ended December 31, 2016 the Company recognized $75 (December 31, 2015 - $nil) in interest expense. Interest expense is recognized within notes payable.

The convertible promissory note is convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.047 per share.

(ix) Convertible promissory note to Diane Golec

On November 16, 2016, the Company issued a convertible promissory note in the amount of $10,000 to Diane Golec (a close family member of a Director). The loan bears interest at the rate of 8% per annum and is payable upon maturity on November 17, 2017.

During the year ended December 31, 2016 the Company recognized $75 (December 31, 2015 - $nil) in interest expense. Interest expense is recognized within notes payable.

The convertible promissory note is convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.10 per share.

(x) Convertible promissory note to Edwardo Quiroz

On October 29, 2016, the Company issued a convertible promissory note in the amount of $19,000 to Edwardo Quiroz (a close family member of a director) to settle existing debt. The loan bears interest at the rate of 8% per annum and is payable upon maturity on October 29, 2017.

(expressed in United States dollars)

During the year ended December 31, 2016 the Company recognized $266 (December 31, 2015 - $nil) in interest expense. Interest expense is recognized within notes payable.

6. NOTES PAYABLE TO RELATED PARTIES (CONTINUED)

The convertible promissory note is convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.047 per share.

7. NOTES AND LOANS PAYABLE

As of December 31,	2016	2015
Loan payable to New Era Lending, LLC (i)	**$ 6,385**	$ -
Note payable to Maria Chi (ii)	**30,260**	-
Note payable to Chad Miller (iii)	**25,283**	-
Note payable to Gordon Farquhar (iv)	**10,127**	-
Note payable to Brett Foulds (v)	**7,555**	-
Note payable to Jennifer Crowe (vi)	**10,009**	-
Loan payable to Nextwave (vii)	**105,515**	-
Loan payable to a bank (viii)	**-**	108,288
Total notes payable - current	**$ 195,134**	$ 108,288

(i) Loan payable to New Era Lending, LLC

On July 11, 2016, the Company sold $92,950 of future sales to New Era Lending, LLC for proceeds of $65,000. Under the terms of the agreement, the Company pays a certain percentage of its daily receipts to New Era Lending, LLC, until they receive payment in full of the purchased amount. The Company accounts for this transaction as a note, with a calculated implied interest rate of 76.12%. As at December 31, 2016, $78,093 remains outstanding (December 31, 2015 - $nil).

(ii) Convertible promissory note to Maria Chi

On November 17, 2016, the Company issued a convertible promissory note in the amount of $30,000 to Maria Chi. The loan bears interest at the rate of 8% per annum and is payable upon maturity on November 17, 2016.

During the year ended December 31, 2016 the Company recognized $260 (December 31, 2015 - $nil) in interest expense. Interest expense is recognized within notes payable.

The convertible promissory note is convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.10 per share.

(iii) Convertible promissory note to Chad Miller

On November 4, 2016, the Company issued a convertible promissory note in the amount of $25,000 to Chad Miller. The loan bears interest at the rate of 8% per annum and is payable upon maturity on November 4, 2017.

7. NOTES AND LOAN PAYABLE (CONTINUED)

During the year ended December 31, 2016 the Company recognized $283 (December 31, 2015 - $nil) in interest expense. Interest expense is recognized within notes payable.

The convertible promissory note is convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.10 per share.

(iv) Convertible promissory note to Gordon Farquhar

On November 4, 2016, the Company issued a convertible promissory note in the amount of $10,000 to Gordon Farquhar. The loan bears interest at the rate of 8% per annum and is payable upon maturity on November 4, 2017.

During the year ended December 31, 2016 the Company recognized $127 (December 31, 2015 - $nil) in interest expense. Interest expense is recognized within notes payable.

The convertible promissory note is convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.10 per share.

(v) Convertible promissory note to Brett Foulds

On November 18, 2016, the Company issued a convertible promissory note in the amount of $7,500 to Brett Foulds. The loan bears interest at the rate of 8% per annum and is payable upon maturity on November 18, 2016.

During the year ended December 31, 2016 the Company recognized $55 (December 31, 2015 - $nil) in interest expense. Interest expense is recognized within notes payable.

The convertible promissory note is convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.025 per share.

(vi) Convertible promissory note to Jennifer Crowe

On December 26, 2016, the Company issued a convertible promissory note in the amount of $10,000 to Jennifer Crowe. The loan bears interest at the rate of 8% per annum and is payable upon maturity on December 26, 2016.

During the year ended December 31, 2016 the Company recognized $9 (December 31, 2015 - $nil) in interest expense. Interest expense is recognized within notes payable.

The convertible promissory note is convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.025 per share.

(vii) Loan payable to Nextwave Enterprises, LLC

On July 12, 2016, the Company sold $219,000 of future sales to Nextwave Enterprises, LLC for proceeds of $150,000. Under the terms of the agreement, the Company pays a certain percentage of its daily receipts to Nextwave Enterprises, LLC, until they receive payment in full of the purchased amount. The Company accounts for this transaction as a loan, with a calculated implied interest rate of 91.25%. As at December 31, 2016 $78,093 remains outstanding (December 31, 2015 - $nil).

7. NOTES PAYABLE (CONTINUED)

(viii) Loan payable to a bank

On October 12, 2015, the Company entered into a business loan agreement with a bank for proceeds of $135,021. Under the terms of the agreement, the Company makes daily payments until they receive payment in full of an aggregate amount of $193,079. The loan matures on October 24, 2016. The Company accounts for this transaction as a loan, with a calculated implied interest rate of 75.92%. On June 30, 2016, the Company repaid the remaining principle and interest outstanding. As at December 31, 2016 $nil remains outstanding (December 31, 2015 - $108,288).

8. DUE TO RELATED PARTIES AND OTHER RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, officers and close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

During the year ended 2016, total gross sales by the Company to HempMeds, which is related to the Company by common control, were $124,910 (December 31, 2015 – $1,140,720). As at December 31, 2016, accounts receivable from HempMeds was $nil *(note 6)* (December 31, 2015 – $nil).

During the year ended 2016, total gross sales by the Company to GQ International, which is related to the Company by common control, were $61,334 (December 31, 20515 – $nil). As at December 31, 2016, accounts receivable from GQ International was $1,373 (December 31, 2015 – $nil).

During the year ended December 31, 2016, the Company recorded a bad debt expense of $nil (December 31, 2015 - $32,422) related to related party accounts receivable.

During the year ended 2016, total purchases by the Company from HempMeds, which is related to the Company by common control, were $5,900 (December 31, 2015 - $243,293). As at December 31, 2016, accounts payable to HempMeds was $nil *(note 6)* (December 31, 2015 - $nil).

As at December 31, 2015, the loan payable to GQ International was $2,905 (December 31, 2015 - $7,924). The loan is unsecured, non-interest bearing and has no specified terms of repayment.

During the year ended December 31, 2016, remuneration paid to key management was $168,000 (December 31, 2015 - $113,000). As at December 31, 2016, an amount payable of $nil is owing to a managing member (December 31, 2015 - $29,287), and is included in accounts payable.

9. FINANCIAL INSTRUMENTS

Financial instruments of the Company consist of cash, trade and other receivables, accounts payable and accrued liabilities, notes payable, loans payable, due to related party and notes payable to related parties. There are no significant differences between the carrying amounts of the items reported on the statement of financial position and their estimated fair values. The Company's risk exposures and their impact on the Company's financial instruments are summarized below.

Credit risk

Financial instruments that could expose the Company to credit risk are primarily cash and accounts receivable (see concentration risk below). The Company has deposited its cash in financial institutions with good reputations, and management considers the risk of losses to be negligible. The Company's cash is not subject to any external restrictions.

Concentration risk

The Company sells its products primarily to HempMeds, which is related to the Company by common control (*see note 6)*.

During the year ended December 31, 2016, approximately 32% of the Company's revenues was attributable to two customers (December 31, 2015 – 39% attributable to two customers). As at December 31, 2016, approximately 73% of the Company's accounts receivable was attributable to one customer (December 31, 205 – 88% related to two customers) .

The Company has no prior history of bad debts and as such, management believes that the credit risk in relation to accounts receivable is low. As at December 31, 2016, the Company had $57,793 (December 31, 2015 - $51,053) of overdue accounts receivable (over 60 days outstanding). During the year ended December 31, 2016, management recorded an allowance of $28,202 (December 31, 2015 - $nil).

Liquidity risk

The Company is exposed to liquidity risk. Liquidity risk is the exposure of the Company to the risk of not being able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's future liquidity is dependent on factors such as the ability to generate cash from operations and raise money through debt or equity financing (see note 1).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates received on its cash balance. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short-term nature of interest bearing cash. Amounts due to related parties and the loan payable have fixed interest rates and therefore do not result in significant interest rate risk.

(expressed in United States dollars)

10. MEMBERSHIP UNIT CAPITAL

(a) Authorized

2,000 Membership units

(b) Issued

Membership units	Units		Amount
December 31, 2015	**2,000**	**$**	**-**
Share cancelled (i)	(1,380)		-
Share-based compensation (ii)	980		245,000
Shares issued for cash (iii)	400		100,000
Balance, December 31, 2016	**2,000**	**$**	**345,000**

(i) On April 28, 2016 the company entered into an Exchange and Release agreement with General Hemp, whereby General Hemp cancelled its membership interest of 1,000 units in the Company. A total of $100,000 of the loans were repaid, and the remaining principal balance of $82,410 was due on November 15, 2016 (see *Note 6*(ii)).

GQ International cancelled 380 units of their existing membership units in the Company.

(ii) On January 27, 2016, the Company entered into a consulting agreement with Mindshare Holdings, Inc. Upon execution of the agreement, the Company irrevocably issued 9.5% membership interest, or 190 membership units in the Company. These units will be exchanged for common stock in the Company and shall be exchanged at $0.02, resulting in the issuance of 4,750,000 shares of common stock upon completion of the Company's going public transaction (the "Transaction").

On January 28, 2016, the Company entered into a consulting agreement with Malcolm Scott Purdy. Upon execution of the agreement, the Company irrevocably issued a 9.5% membership interest, or 190 membership units, in the Company. These units shall be exchanged for common stock in any successor companies, and ultimately the parent company and shall be exchanged at $0.02, resulting in the issuance of 4,750,000 shares of common stock upon completion of the Transaction.

On February 27, 2016, the Company entered into a consulting agreement with Hermosa Capital Management Inc. Upon execution of the agreement, the Company irrevocably issued 9.5% membership interest, or 190 membership units, in the Company. These units shall be exchanged for common stock in any successor companies, and ultimately the parent company and shall be exchanged at $0.02, resulting in the issuance of 4,750,000 shares of common stock upon completion of the Transaction.

On March 2, 2016, the Company entered into a consulting agreement with 1020771 B.C. LTD., upon execution of the agreement, the Company irrevocably issued 4.5% membership interest, or 90 membership units, in the Company. These units shall be exchanged for common stock in any successor companies, and ultimately the parent company and shall be exchanged at $0.02, resulting in the issuance of 2,250,000 shares of common stock upon completion of the Transaction.

On March 3, 2016, the Company entered into a consulting agreement with Pilcher Enterprises, upon execution of the agreement, the Company irrevocably issued 2% membership interest, or 40 membership units, in the Company. These units shall be exchanged for common stock in any successor companies, and ultimately the parent company and shall be exchanged at $0.02, resulting in the issuance of 1,000,000 shares of common stock upon completion of the Transaction

(expressed in United States dollars)

10. MEMBERSHIP UNIT CAPITAL (CONTINUED)

On March 3, 2016, the Company entered into a consulting agreement with NEU Ideas Upon execution of the agreement, the Company irrevocably issued 4.4% membership interest, or 88 membership units, in the Company. These units shall be exchanged for common stock in any successor companies, and ultimately the parent company and shall be exchanged at $0.02, resulting in the issuance of 2,200,000 shares of common stock upon completion of the Transaction

On March 3, 2016, the Company entered into a consulting agreement with Allison Kern Upon execution of the agreement, the Company irrevocably issued 0.1% membership interest, or 2 membership units, in the Company. These units shall be exchanged for common stock in any successor companies, and ultimately the parent company and shall be exchanged at $0.02, resulting in the issuance of 50,000 shares of common stock upon completion of the Transaction

On March 31, 2016, the Company entered into a consulting agreement with Allison Kern Upon execution of the agreement, the Company irrevocably issued 9.5% membership interest, or 190 membership units, in the Company. These units shall be exchanged for common stock in any successor companies, and ultimately the parent company and shall be exchanged at $0.02, resulting in the issuance of 4,750,000 shares of common stock upon completion of the Transaction

(iii) On May 3, 2016, the Company entered into an Amended and Restated Limited Liability Company Agreement in which Cat's Meow Trust and Villa Nicole each purchased 10%, or 200 membership units each, of the Company for $50,000 each.

11. WARRANTS

	Number
Year ended, December 31, 2015	-
Warrants exercised	-
Warrants settled	-
Warrants issued to purchase common shares	18,031,914
Year ended, December 31, 2016	**18,031,914**

As at December 31, 2016, 18,031,914 warrants (2015 – nil), that entitled the warrant holders to purchase 18,031,914 common shares (2015 - nil), were outstanding. A summary of the warrants outstanding is as follows:

(expressed in United States dollars)

11. WARRANTS (CONTINUED)

Warrant name	Number Issued	Exercise price	Issue Date	Maturity Date
Chad Miller	1,000,000	0.100	4-Nov-16	31-Dec-23
Diane Golec 1995 Trust	1,000,000	0.100	16-Nov-16	31-Dec-23
Eduardo Quiroz	3,000,000	0.047	29-Oct-16	31-Dec-23
Minshare 401K Trust	2,750,000	0.047	2-Nov-16	31-Dec-23
Jason B Golec	3,000,000	0.047	27-Sep-16	31-Dec-23
Radius Corp	2,000,000	0.047	27-Oct-16	31-Dec-23
Minshare Holdings	4,750,000	0.047	20-Oct-16	31-Dec-23
Villa Nichole Trust	265,957	0.047	01-Oct-16	01-Oct-21
Cats Meow Trust	265,957	0.047	01-Oct-16	01-Oct-21
	18,031,914			

12. SUBSEQUENT EVENTS

On January 18, 2017, the Company issued a convertible promissory note in the amount of $5,000 to Jennifer Crowe. The loan bears interest at the rate of 8% per annum and is payable upon maturity on January 18, 2018. The note is convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.25 per share.

On January 31, 2017, the Company issued a convertible promissory note in the amount of $25,000 to Robert Bone. The loan bears interest at the rate of 8% per annum and is payable upon maturity on January 31, 2018. The note is convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.25 per share.

On February 8, 2017, the Company issued a convertible promissory note in the amount of $20,000 to Barry and Lorraine Hockin. The loan bears interest at the rate of 8% per annum and is payable upon maturity on February 8, 2021. The note is convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.25 per share.

On February 8, 2017, the Company issued a convertible promissory note in the amount of $20,000 to Gary Davidson. The loan bears interest at the rate of 8% per annum and is payable upon maturity on February 10, 2021. The note is convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.25 per share.

On February 10, 2017, the Company issued a convertible promissory note in the amount of $20,000 to Sharon Giesinger. The loan bears interest at the rate of 8% per annum and is payable upon maturity on February 10, 2021. The note is convertible in whole or in part into common shares of the Company, at the option of the holder, at $0.25 per share.

12. SUBSEQUENT EVENTS (CONTINUED)

Temecula, California - February 24, 2017 -- HaenepSource, LLC is announcing its merger with FlexWeek, Inc. (“FXWK” – OTC Pink). HaenepSource, LLC (“Haenep”), better known for its main brand Holy Grail, is one of the first and leading companies in the legal Hemp and CBD space.

Temecula, California – March 23, 2017 -- Holy Grail Company is proud to announce the approval by FINRA for the official name change from FLEXWEEK, INC to HOLY GRAIL COMPANY, and the symbol has now changed on the OTC markets from FXWK to HGRL.

Following the announcement as of today, March 23, 2017, the name and symbol change will be effective Friday, March 24th, 2017.