NEWLEAF BRANDS INC.
(Formerly New Age Brands Inc.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED SEPTEMBER 30, 2019 AND 2018

(Expressed in Canadian dollars)

NOTICE TO READERS

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

The accompanying unaudited condensed interim consolidated financial statements of New Leaf Brands Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

NEWLEAF BRANDS INC. (FORMERLY NEW AGE BRANDS INC.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

As at	September 30, 2019 $	December 31, 2018 $
Current		
Cash	**195,770**	11,085
Taxes receivable	**3,901**	-
Loans receivable (Note 7)	**40,275**	216,537
Inventory	**77,883**	7,891
Prepaid and deposits (Note 4)	**81,790**	257,831
	399,619	493,344
Deposit on acquisition (Note 4)	**-**	98,070
Intangible asset (Note 5)	**18,510,557**	-
Property, plant and equipment (Note 6)	**4,567,789**	4,616,376
Total assets	**23,477,965**	5,207,790
Current		
Accounts payable	**74,063**	78,731
Accrued liabilities	**3,612**	25,000
Promissory note (Note 9)	**-**	300,000
Convertible debenture (Note 9)	**-**	1,440,909
Total liabilities	**77,675**	1,844,640
Shareholders' equity		
Shares capital (Note 10)	**62,988,023**	40,468,336
Accumulated other comprehensive loss	**(9,613)**	(55,656)
Contributed surplus	**6,686,611**	6,461,551
Deficit	**(46,264,731)**	(43,511,081)
Total shareholders' equity	**23,400,290**	3,363,150
Total liabilities and shareholders' equity	**23,477,965**	5,207,790

Nature and continuance of operations (Note 1)

Approved on behalf of the Board on November 28, 2019

"Ben Martch"	***"David Joshua Bartch"***
Director – Ben Martch	Director – David Joshua Bartch

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

NEWLEAF BRANDS INC. (FORMERLY NEW AGE BRANDS INC.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

	Three month ended		Nine month ended	
	September 30, 2019 $	**September 30, 2018 $**	**September 30, 2019 $**	**September 30, 2018 $**
Sales	**41,871**	66,649	**100,175**	163,153
Rental income	**43,574**	-	**99,586**	-
Cost of goods sold	**(19,655)**	(2,377)	**(51,821)**	(107,239)
	65,790	64,272	**147,940**	55,914
Expenses				
Advertising	**(14,769)**	(228,479)	**(30,094)**	(725,724)
Amortization (Note 6)	**(16,116)**	(8,558)	**(48,353)**	(8,558)
Bank charges	**(1,768)**	(3,669)	**(6,482)**	(7,890)
Consulting (Note 13)	**(140,664)**	(275,951)	**(862,759)**	(1,805,326)
Director and management fees (Note 13)	**(91,539)**	(58,482)	**(368,270)**	(111,632)
Foreign exchange loss (gain)	**21,262**	(56,510)	**(24,057)**	14,767
Interest (Note 9)	**994**	(29,736)	**(54,549)**	(39,675)
Office and miscellaneous	**(31,010)**	(73,867)	**(102,989)**	(103,445)
Professional fees	**(84,349)**	(35,000)	**(162,016)**	(81,857)
Transfer agent, listing and filing fees	**(17,245)**	(2,926)	**(39,703)**	(16,557)
Share based payments (Note 10)	**(531,182)**	(716,002)	**(1,153,156)**	(716,002)
Total expenses	**(906,386)**	(1,489,180)	**(2,852,428)**	(3,744,055)
Other income (expense)				
Management termination cost	**-**	-	**-**	(4,535,000)
Consideration paid in excess of net assets acquired from WAK (Note 3)	**-**	-	**-**	(3,101,176)
Interest income	**-**	-	**-**	10,880
Loss on settlement of debts	**-**	-	**(49,162)**	37,901
Loss for the period	**(840,596)**	(1,424,908)	**(2,753,650)**	(11,275,536)
Foreign currency translation adjustment	**(5,505)**	3,659	**(9,613)**	(20,945)
Comprehensive loss for the period	**(846,101)**	(1,421,249)	**(2,763,263)**	(11,296,481)
Loss and comprehensive loss per share	**(0.04)**	(0.00)	**(0.21)**	(0.05)
Weighted average number of shares outstanding	**24,116,370**	5,835,745	**13,278,378**	4,947,128

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

NEWLEAF BRANDS INC. (FORMERLY NEW AGE BRANDS INC.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Number of Shares	Share Capital	Contributed Surplus*	Shares to be issued	Accumulated Other Comprehensive Income (loss)	Deficit	Shareholders' Equity
Balance, December 31, 2017	3,891,502	$ **25,367,943**	$ **5,916,788**	$ **125,000**	$ **-**	$ **(30,155,863)**	$ **1,253,868**
Exercise of warrants	318,408	2,368,240	-	(125,000)	-	-	2,243,240
Fair value of warrants transferred	-	1,178,349	(1,178,349)	-	-	-	-
Exercise of options	238,889	752,500	-	-	-	-	752,500
Fair value of options transferred	-	608,742	(608,742)	-	-	-	-
Shares issued in acquisition of WAK	222,222	3,050,000	-	-	-	-	3,050,000
Issuance of common stock for management termination	660,000	2,227,500	-	-	-	-	2,227,500
Shares issued in acquisition of Oregon Properties	1,625,867	4,389,840	-	-	-	-	4,389,840
Finders shares issued in acquisition of Oregon Properties	81,293	219,492	-	-	-	-	219,492
Share based compensation	-	-	716,002	-	-	-	716,002
Foreign currency translation adjustment	-	-	-	-	20,945	-	20,945
Loss for the period	-	-	-	-	-	(11,275,536)	(11,275,536)
Balance, September 30, 2018	**7,038,181**	$ **34,577,757**	$ **4,845,699**	$ **-**	$ **20,945**	$ **(41,431,399)**	$ **3,597,851**
Balance, December 31, 2018	**7,040,181**	$ **40,468,336**	$ **6,461,551**	$ **-**	$ **(55,656)**	$ **(43,511,081)**	$ **3,363,150**
Private placement	2,154,580	657,147	-	-	-	-	657,147
Finder common shares	83,137	-	-	-	-	-	-
Exercise of options	345,778	826,600	-	-	-	-	826,600
Fair value of options transferred	-	928,096	(928,096)	-	-	-	-
Shares issued in acquisition of DFW	345,280	1,009,944	-	-	-	-	1,009,944
Shares issued in acquisition of Rylyfe	9,276,510	8,627,155	-	-	-	-	8,627,155
Shares issued in acquisition of Tealief	9,276,510	8,627,155	-	-	-	-	8,627,155
Shares issued for debt	4,916,240	1,843,590	-	-	-	-	1,843,590
Share based compensation	-	-	1,153,156	-	-	-	1,153,156
Foreign currency translation adjustment	-	-	-	-	46,043	-	46,043
Loss and comprehensive loss for the period	-	-	-	-	-	(2,753,650)	(2,753,650)
Balance, September 30, 2019	**33,438,216**	**62,988,023**	**6,686,611**	**-**	**(9,613)**	**(46,264,731)**	**23,400,290**

*Contributed surplus consists of fair values of stock options and warrants.

On March 26, 2019, the Company has consolidated all of its issued and outstanding share capital on the basis of one (1) post- consolidation share for each forty-five (45) pre-consolidation common shares. Unless otherwise noted, all figures have been retroactively restated to reflect the share consolidation.

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

NEWLEAF BRANDS INC. (FORMERLY NEW AGE BRANDS INC.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

For the period ended,		September 30, 2019		September 30, 2018
Cash flows used in				
Operating activities				
Loss and comprehensive loss for the period	$	**(2,753,645)**	$	(11,275,536)
Items not affecting cash:				
Amortization		**48,351**		8,558
Foreign exchange		**1,395**		(5,896)
Interest expense		**50,518**		39,675
Management termination costs		**-**		3,905,000
Gain on settlement of debts		**52,163**		(37,601)
Consideration paid in excess of net assets acquired from WAK		**-**		3,101,176
Shares based payments		**1,153,156**		716,002
		(1,448,062)		(2,548,922)
Changes in non-cash working capital items:				
Amounts receivable		**(5,289)**		(3,391)
Prepaid and deposits		**168,139**		(184,744)
Inventory		**(70,224)**		-
Accounts payable and accrued liabilities		**28,971**		(298,745)
Net cash used in operating activities		**(1,326,465)**		(4,035,802)
Investing activities				
Transaction cost pursuant to acquisition of Oregon Properties		-		(19,728)
Deposit in Drink Water, LLC		-		(98,070)
Net cash provided from investing activities		-		(117,798)
Financing activities				
Loan receivable		**26,540**		(1,062,950)
Private placement		**657,147**		-
Note payable		**-**		(8,894)
Exercise of stock options		**826,600**		752,500
Exercise of warrants		**-**		2,243,240
Net cash provided from financing activities		**1,510,287**		1,923,896
Foreign exchange on cash		**791**		12,053
Increase in cash and cash equivalents during the period		**183,822**		(2,217,651)
Cash and cash equivalents, beginning of the period		**11,157**		2,376,660
Cash and cash equivalents, end of the period	$	**195,770**	$	159,009

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

EXPRESSED IN CANADIAN DOLLAR

1. NATURE AND CONTINUANCE OF OPERATIONS

NewLeaf Brands Inc. (formerly New Age Farm Inc.) (the "Company") was incorporated under the Business Corporations Act (British Columbia) on September 27, 2013, under the name 0981624 B.C. Ltd. The Company subsequently changed its name to New Age Farm Inc. on April 10, 2014, to New Age Brands Inc. on November 14, 2018 and to NewLeaf Brands Inc. on April 12, 2019. The Company listed its common shares on the Canadian Securities Exchange and began trading on August 18, 2014. The Company's principal business is the development, market and distribution of Cannabidiol ("CBD") products and operation of real estate and farm properties in North America.

The registered address, head office, principal address and records office of the Company are located at Suite 810 - 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

At September 30, 2019, the Company had not yet achieved profitable operations, has accumulated losses of $46,264,731 (2018 - $43,511,081) since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned business, meet its on-going levels of corporate overhead and discharge its liabilities as they come due. These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these condensed interim consolidated financial statements.

Statement of Compliance, Consolidation and Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with the 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").

During the period ended September 30, 2019, the Company acquired and incorporated various subsidiaries. The Company's structure is represented by NewLeaf Brands Inc., parent company, and the following subsidiaries:

Name	Incorporated in	Interest
New Age Farm Washington, LLC	US	100%
1176392 B.C. Ltd.	Canada	100%
Kured Latin America, LLC	US	100%
Tealief Brands, LLC	US	100%
Relyfe Brands, LLC	US	100%
Drink Fresh Water	US	100%

All inter-company transactions and balances have been eliminated in the condensed interim consolidated financial statement presentation. These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in the below.

2. SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies
In preparing these condensed consolidated interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited consolidated financial statements for the year ended December 31, 2018, with exception to the new accounting standards adopted by the Company discussed below.

The preparation of condensed consolidated interim financial statements requires that the Company's management make judgments and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual future outcomes could differ from present estimates and judgments, potentially having material future effects on the Company's condensed interim financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Several amendments to existing accounting standards became effective January 1, 2019 and were first adopted by the Company in the nine- month period ended September 30, 2019:

IFRS 16, Leases
In January 2016, the IASB issued IFRS 16, Leases, which supersedes IAS 17, Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The standard establishes a single model for lessees to bring leases on-balance sheet while lessor accounting remains largely unchanged and retains the finance and operating lease distinctions. There was no impact upon adoption of IFRS 16.

3. ASSET ACQUSITIONS

RELYFE BRAND LLC.

On August 18, 2018, the Company entered into a definitive agreement (the "Transaction") to acquire 100% of Relyfe Brand LLC ("Relyfe"). Relyfe is a CBD gel capsule Company. On August 18, 2019, the Company completed the Transaction and issued 8,433,191 common shares with a fair value of $7,842,868. The Company issued 843,319 finder common shares with a fair value of $784,287.

The acquisition of Relyfe does not constitute a business combination because these entities do not meet the definition of a business under IFRS 3 Business Combination. As a result, under IFRS, the transaction has been measured at the fair value of equity consideration issued to acquire these entities. The purchase price was determined based on IFRS 2 – Share Based Payments and $8,627,155 has been capitalized to intangible assets.

TEALIEF BRAND LLC.

On August 18, 2018, the Company entered into a definitive agreement (the "Transaction") to acquire 100% of Tealief Brand LLC ("Tealief"). Tealief is a tea bag Company. On August 18, 2019, the Company completed the Transaction and issued 8,433,191 common shares with a fair value of $7,842,868. The Company issued 843,319 finder common shares with a fair value of $784,287.

The acquisition of Tealief does not constitute a business combination because these entities do not meet the definition of a business under IFRS 3 Business Combination. As a result, under IFRS, the transaction has been measured at the fair value of equity consideration issued to acquire these entities. The purchase price was determined based on IFRS 2 – Share Based Payments and $8,627,155 has been capitalized to intangible assets.

EXPRESSED IN CANADIAN DOLLAR

3. ASSET ACQUSITIONS (CONTINUED)

DRINK FRESH WATER

On September 30, 2018, the Company entered into a definitive agreement (the "Transaction") to acquire 100% of Drink Fresh Water, LLC ("DFW"). On February 8, 2019, the Company completed the Transaction and issued 345,280 common shares with a fair value of $1,009,944. DFW is a CBD infused beverage company with their flagship product, a CBD infused, nano amplified alkaline water.

The acquisition of DFW does not constitute a business combination because these entities do not meet the definition of a business under IFRS 3 Business Combination. As a result, under IFRS, the transaction is being measured at the fair value of equity consideration issued to acquire these entities.

The purchase price was determined based on IFRS 2 - Share Based Payments and allocated as follows using a relative fair value approach:

Consideration paid:		
Cash	$	102,315
Common shares		1,009,944
Total consideration paid	$	1,112,259
Intangible assets	$	1,112,259

WE ARE KURED

In December 2017, the Company entered into a share purchase agreement to purchase 100% interest in a company, We Are Kured, LLC ("WAK"), by issuing 222,222 common shares of the Company. During the year ended December 31, 2017, the Company advanced $64,430 (USD $50,000) upon signing the agreement. On January 2, 2018, the Company issued 222,222 common shares of the Company to complete the acquisition.

The Company completed the acquisition of We Are Kured, LLC ("WAK") on January 2, 2018 by issuing 222,222 common shares to the principal of WAK.

The acquisition of WAK does not constitute a business combination because these entities do not meet the definition of a business under IFRS 3 *Business Combination*. As a result, under IFRS, the transaction is being measured at the fair value of equity consideration issued to acquire these entities.

The purchase price was determined based on IFRS 2 – Share Based Payments and allocated as follows:

Assets	$	11,409
Trade and other payables		(62,585)
Net liabilities assumed	$	(51,176)
Consideration	$	3,050,000
Net liabilities assumed		(51,176)
Unidentifiable assets acquired	$	3,101,176
Consideration paid in excess of net assets acquired from WAK	$	(3,101,176)

EXPRESSED IN CANADIAN DOLLAR

4. PREPAIDS AND DEPOSITS

	September 30, 2019 **$**	December 31, 2018 $
Consulting	-	237,004
Deposit	66,170	-
Rent	15,620	20,827
	81,790	257,831

On August 9, 2019, the Company entered into an letter of intent ("LOI") with an arm's length party to purchase 400 acres of land Texas, United States. The Company issued a $66,170 (US $50,000) non-refundable deposit and the total purchase price of US $1,300,000.

5. INTANGIBLE ASSETS

Intangible assets consisting of the following:

	$
Balance, December 31, 2018	**-**
Additions (Note 3)	18,510,557
Balance, September 30, 2019	**18,510,557**

As of September 30, 2019, the intangible assets are not yet in use and as a result, no amortization has been recorded.

6. PROPERTY, PLANT AND EQUIPMENT

	Sumas – Property and Facility $	Oroville – Property and Facility $	Equipment $	Land $	Building $	Total $
Cost						
Balance at December 31, 2017	199,609	1,052,869	15,300	-	-	1,267,778
Additions	-	-	8,660	3,061,800	1,567,259	4,637,719
Balance at December 31, 2018	196,609	1,052,869	23,960	3,061,800	1,567,259	5,905,497
Additions	-	-	-	-	-	-
Balance, September 30, 2019	196,609	1,052,869	23,960	3,061,800	1,567,259	5,905,497
Accumulated amortization						
Balance at December 31, 2017	131,256	1,052,868	15,300	-	-	1,199,424
Amortization	-	-	866	-	20,897	21,763
Impairment	68,353	1	-	-	-	68,354
Foreign exchange	-	-	(420)	-	-	(420)
Balance at December 31, 2018	199,609	1,052,869	15,746	-	20,897	1,289,121
Amortization	-	-	1,335	-	47,018	48,353
Foreign exchange	-	-	234	-	-	234
Balance, September 30, 2019	199,609	1,052,869	17,315	-	67,915	1,337,708
Net book values						
December 31, 2018	-	-	8,214	3,061,800	1,546,362	4,616,376
September 30, 2019	-	-	6,645	3,061,800	1,499,344	4,567,789

EXPRESSED IN CANADIAN DOLLAR

7. LOAN RECEIVABLE

	Arm's Length Receivable $	Total $
Balance, December 31, 2017	282,262	282,262
Advances	-	-
Interest	-	-
Reserve	(238,735)	(238,735)
Foreign exchange	24,683	24,683
Balance, December 31, 2018	68,210	68,210
Interest	-	-
Amount collected	(26,540)	(26,540)
Foreign exchange	(1,395)	(1,395)
Balance, September 30, 2019	40,275	40,275

During the year ended December 31, 2017, the Company has loaned $387,063 (USD$300,000) to a third party. Due to uncertainty in collectability of some of a loan amount, the Company has made a reserve of $96,766 (USD$75,000) on this loan as at December 31, 2017. This loan is non-interest bearing, non-secured with no fixed terms of repayment. During the six month period ended June 30, 2019, the Company entered into a Settlement Agreement ("Settlement Agreement") to collect USD $50,000 (CAD $68,210). Pursuant to the terms of the Settlement Agreement, the Company will be repaid USD $5,000 per month for 10 months from the effective date. During the period ended September 30, 2019, the Company received $26,540 (US $20,000).

8. SECURED NOTE PAYABLE

	$
Balance, December 31, 2017	79,017
Interest	6,527
Repayments	(8,894)
Foreign exchange	6,627
Default on Secured Note Payable	(83,277)
Balance, December 31, 2018 and September 30, 2019	-

On October 31, 2015, the Company entered into a Secured Note Payable ("Secured Note Payable") with the seller of the Oroville Property in an amount of US$78,000. The Secured Note Payable was secured against the Oroville Property. During the year ended December 31, 2018, the Company recorded interest of $6,527 (2017 - $6,895). The Company made repayments of $8,894 (2017 - $11,961). The company defaulted on the Secured Note Payable and forfeited the Company's 50% ownership in the Oroville Property. The company wrote off the remaining note payable of $83,277 during the year ended December 31, 2018.

9. PROMISSORY AND CONVERTIBLE DEBENTURE

	$
Balance, December 31, 2017	-
Additions	300,000
Balance, December 31, 2018	300,000
Interest	19,726
Converted	(319,726)
Balance September 31, 2019	-

EXPRESSED IN CANADIAN DOLLAR

9. PROMISSORY AND CONVERTIBLE DEBENTURE (CONTINUED)

Pursuant to the termination of former management, the Company issued $300,000 non-interest bearing Promissory Notes ("Promissory Notes") to the former CEO and CFO. During the period ended September 30, 2019, the Company recorded interest of $19,726 (2018 - $Nil) and issued 875,962 common shares and recorded a loss on debt settlement of $8,760.

CONVERTIBLE DEBENTURE

	$
Balance, December 31, 2017	-
Additions	1,377,500
Interest	63,406
Balance, December 31, 2018	1,440,906
Interest	33,796
Converted	(1,474,702)
Balance September 30, 2019	-

On June 8, 2018, the Company entered into convertible note agreements ("Convertible Notes") with the former CEO and CFO. The principal portion of the convertible note is $1,377,500, bear interest of 8% and is convertible at the discretion of the holder (the "Holders"). The convertible note matured three months from the date of issuance and subsequently became on due on demand. During the six month period ended June 30, 2019, the Company issued 4,040,278 common shares and settled $1,474,702 of convertible debenture. The Company recorded a loss on settlement of debt of $40,405.

10. SHARE CAPITAL

(a) Authorized: Unlimited common shares without par value

Issued: 33,438,216 common shares (December 31, 2018: 7,040,181 common shares)

Nine-month period ended September 30, 2019:

On July 25, 2019 and August 1, 2019, the Company completed a private placement and issued 2,154,580 common shares for gross proceeds of $657,147. The Company issued 83,137 finder common shares.

During the period ended September 30, 2019, 345,778 options at an exercise price ranging from $2.25 to $2.70 were exercised for gross proceeds of $826,600. Fair value of $928,096 was re-allocated from contributed surplus to share capital.

During the period ended September 30, 2019, the Company acquired a 100% interest in DFW. As consideration the Company issued 345,280 common shares with a fair value of $1,009,944.

On August 13, 2019, the Company issued 8,433,191 common shares each pursuant to the acquisition of Relyfe Brands LLC and Tealief Brands LLC. The Company issued 843,319 common shares for each transactions with a fair value of $782,287.

During the period ended September 30, 2019, the Company issued 4,916,240 common shares with a fair value of $1,843,590 to settle promissory and convertible loans. The Company recorded a loss on settlement of debt of $49,162.

On March 26, 2019, the Company has consolidated all of its issued and outstanding share capital on the basis of one (1) post- consolidation share for each forty-five (45) pre-consolidation common shares. Unless otherwise noted, all figures have been retroactively restated to reflect the share consolidation.

10. SHARE CAPITAL (CONTINUED)

Six-month period ended September 30, 2018:

During the nine months ended September 30, 2018, 318,408 warrants at exercise prices ranging from $4.50 to $9.00per share were exercised for gross proceeds of $2,243,240. Fair value of $1,178,349 was re-allocated from contributed surplus to share capital.

During the nine months ended September 30, 2018, 238,889 options at exercise price ranging from $5.17to $5.85 were exercised for gross proceeds of $752,500. Fair value of $608,742 was re-allocated from contributed surplus to share capital.

On January 2, 2018, 222,222 common shares at fair value of $3,050,000 were issued to acquire WAK.

On June 18, 2018, the Company entered into termination agreements with former management and issued 660,000 common shares with a fair value of $2,227,500 (Note 15).

On August 28, 2018, the Company issued 1,625,867 common shares at a fair value of $4,389,840 were issued to acquire the Oregon Properties. The Company issued 81,293 common finders shares with a fair value of $219,492.

(b) Stock Options

The Company has adopted an incentive stock option plan (the "Option Plan") dated which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with stock exchanges requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Included in the Option Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company and that the number of common shares reserved for issuance pursuant to options granted to all consultants or persons conducting investing relations activities will not exceed 2% of the issued and outstanding common shares within any 12-month period. At the discretion of the Board of Directors of the Company, options granted under the Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

On February 28, 2019, the Company granted 237,778 stock options at an exercise price of $2.25 per option with a term of five years expiring February 28, 2024. The grant date fair value of the options was measured at $621,974. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - $2.70; exercise price - $2.25; expected life - 5 years; volatility – 218%; dividend yield - $0; and risk-free rate – 1.86%. During the period ended, the Company exercised all of these options for gross proceeds of $535,000.

On June 5, 2019, the Company granted 583,553 stock options with an exercise price of $0.54 and term of 5 years expiring on June 5, 2024. The grant date fair value of the options was measured at $306,554. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - $0.54; exercise price - $0.54; expected life - 5 years; volatility – 218%; dividend yield - $0; and risk-free rate – 1.31%.

On June 21, 2019, the Company granted 491,624 stock options with an exercise price of $0.47 and term of 5 years expiring on June 21, 2024. The grant date fair value of the options was measured at $224,628. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - $0.47; exercise price - $0.47; expected life - 5 years; volatility – 218%; dividend yield - $0; and risk-free rate – 1.38%.

During the period ended, the Company cancelled 419,998 stock options with an exercise price ranging from $2.70 to $5.18.

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10. SHARE CAPITAL (CONTINUED)

As at September 30, 2019, the Company had stock options outstanding and exercisable enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
16,667	$5.85	December 12, 2019
5,556	$9.00	May 4, 2020
55,555	$4.50	October 3, 2023
583,553	$0.54	June 5, 2024
491,624	$0.47	June 21, 2024
1,152,955	$0.82	

A summary of the status of the Company's stock options outstanding and exercisable as at September 30, 2019 and December 31, 2018, and changes during those years is presented below:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2017	284,445		11.47
Granted	839,109		3.46
Expired	(277,778)		11.34
Exercised	(238,889)		3.15
Balance, December 31, 2018	606,887	$	3.73
Granted	1,312,955		0.82
Expired	(1,111)		(2.25)
Exercised	(345,778)		2.39
Balance, September 30, 2019	1,152,955	$	0.82

The stock options have a weighted average remaining life of 4.84 years.

(c) Warrants

As at September 30, 2019, the Company had warrants outstanding and exercisable enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
34,888	$6.75	April 15, 2020
88,888	$10.80	November 27, 2019
51,112	$6.75	February 8, 2020
174,888	$8.81	

A summary of the status of the Company's stock options outstanding and exercisable as at September 30, 2019 and December 31, 2018, and changes during those years is presented below:

	Number of warrants		Weighted Average Exercise Price
Balance, December 31, 2017	**568,028**		7.68
Exercised	(320,409)		6.76
Expired	(72,731)		9.00
Balance, December 31, 2018 and September 30, 2019	**174,888**	$	8.81

11. CAPITAL DISCLOSURES

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include administrative costs and general expenditures. In the management of capital, the Company includes cash, due to related parties, loan payable, notes payable, and the components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Historically, funding for the Company's plan is primarily managed through the issuance of additional common shares, through its commercial activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required.

In order to carry out the planned development and pay for administrative costs, the Company will spend its existing working capital and expects to raise additional amounts as needed. The Company will continue to assess new business and seek to acquire an interest in additional business if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash, and all are held in major Canadian financial institutions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended June 30, 2019.
The Company is not subject to externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS AND RISK FACTORS

(a) Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of transactions is classified according to the following hierarchy based on the amount of observable inputs used to value the instrument.

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 – Inputs are other than quoted prices in Level 1 that are either directly or indirectly observable for the asset or liability.
• Level 3 – Inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level. The company's cash and cash equivalents have been valued using Level 1 inputs.

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12. FINANCIAL INSTRUMENTS AND RISK FACTORS (CONTINUED)

(a) Fair values (Continued)

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at September, 2019 as follows:

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Assets				
Loans receivable	40,275	-	-	40,275
Cash	195,770	-	-	195,770
	236,045	-	-	236,045
Financial Liabilities				
Accounts payable	77,675	-	-	77,675
	77,675	-	-	77,675

(b) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable Canadian financial institutions, from which management believes the risk of loss to be minimal. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company's exposure to liquidity risk is dependent on raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital and cash flows. The Company ensures that sufficient funds are raised from private placements or loans to meet its operating requirements, after taking into account existing cash. The Company's cash is held in business accounts which are available on demand for the Company's business and are not invested in any asset-backed deposits or investments.

As at September 30, 2019, the Company had cash of $195,770 to settle current liabilities of $77,675. The Company has accounts payable of $74,077,675(2018 - $103,731), promissory notes of $Nil (2018 - $300,000) and convertible notes of $Nil (2018 - $1,440,909). During the period ended September 30, 2019, the Company settled the promissory and convertible notes for shares.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates decrease, the Company will generate smaller interest revenue. The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets. The Company is not susceptible to interest rate fair value risk on its note payables that bear fixed interest rates.

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13. RELATED PARTY TRANSACTIONS

The Company incurred the following related party transactions, with associated persons or corporations, which were measured at the exchange amount as follows:

a) Key management includes directors, executive officers and officers which constitutes the management team. The Company paid or accrued compensation in form of consulting fees to companies controlled by directors, executive officers and officers as follows:

Management Compensation	Director fees	Legal
Period ended September 30, 2019	$	$
Director of the Company	91,876	7,500
Benjamin Martch, CEO of WAK	105,034	-
Joshua Bartch, CEO Of the Company	171,359	-
Total	368,269	7,500

Management Compensation	Director fees	Consulting Fees
Period ended September 30, 2018	$	$
Carmen Parente, former CEO and Director	17,050	102,750
Anthony Chan, former CFO and Director	13,500	54,538
David Johnson, former Director	10,600	23,152
Lorraine Pike, former Director	12,600	36,736
NHS Industries Ltd, Company with common management	-	18,000
Director of the Company	19,494	-
Benjamin Martch, CEO of WAK	19,494	26,392
Joshua Bartch, CEO	19,494	458,636
Total	111,632	720,204

b) As at September 30, 2019 accounts payable and accrued liabilities were due to related parties of $Nil (2018 - $Nil).