

**NEXTLEAF SOLUTIONS LTD.**

**FORM 2A  
LISTING STATEMENT**

March 18, 2019

1. Table of Contents

|     |  |    |
|-----|--|----|
| 1.  | Table of Contents .....  | 2  |
| 2.  | Corporate Structure .....  | 6  |
| 3.  | General Development of the Business .....                        | 7  |
| 4.  | Narrative Description of the Business.....                       | 10 |
| 5.  | Selected Consolidated Financial Information .....                | 25 |
| 6.  | Management's Discussion and Analysis.....                        | 28 |
| 7.  | Market for Securities.....                                       | 60 |
| 8.  | Consolidated Capitalization .....                                | 60 |
| 9.  | Options to Purchase Securities .....                             | 61 |
| 10. | Description of the Securities .....                              | 63 |
| 11. | Escrowed Securities .....  | 66 |
| 12. | Principal Shareholders .....                                     | 67 |
| 13. | Directors and Officers.....                                      | 68 |
| 14. | Capitalization .....   | 76 |
| 15. | Executive Compensation.....                                      | 79 |
| 16. | Indebtedness of Directors and Executive Officers .....           | 84 |
| 17. | Risk Factors.....  | 84 |
| 18. | Promoters.....   | 90 |
| 19. | Legal Proceedings.....   | 92 |
| 20. | Interest of Management and Others in Material Transactions ..... | 93 |
| 21. | Auditors, Transfer Agents and Registrars.....                    | 93 |
| 22. | Material Contracts .....   | 94 |
| 23. | Interest of Experts .....  | 94 |
| 24. | Other Material Facts .....                                       | 95 |
| 25. | Financial Statements .....                                       | 95 |

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this Listing Statement (including the appendices hereto and the documents incorporated by reference herein) constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "goal", "predict", "potential", "should", "believe", "intend" or the negative of these terms and similar expressions are intended to identify forward-looking information and statements. The information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information and statements. Such statements reflect the Company's current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance, or achievements to vary from those described in this Listing Statement (including the appendices hereto and the documents incorporated by reference herein). Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward looking statements prove incorrect, actual results may vary materially from those described in this Listing Statement as intended, planned, anticipated, believed, estimated, or expected.

The reader is further cautioned that the preparation of financial statements, including pro forma financial statements, in accordance with IFRS or another accounting method, as the case may be, requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect as further information becomes available, and as the economic environment changes. With respect to the forward-looking statements contained herein, although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. Some of these risks are described in this Listing Statement under Item 17 - *Risk Factors*.

The forward-looking statements contained in this Listing Statement, including the documents incorporated by reference herein, identifies additional factors that could affect the operating results and performance of the Company. We urge you to consider those factors. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements speak only as of the date of this Listing Statement. The Company does not intend, and expressly disclaims any intention or obligation to, update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

### Definitions

The following is a glossary of certain definitions used in this Listing Statement. Terms and abbreviations used in the financial statements of the Company in the appendices to this Listing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. All dollar amounts referenced herein are shown in Canadian dollars, unless otherwise indicated.

“**ACMPR**” means Access to Cannabis for Medical Purposes Regulations.

“**Acquisition**” means the acquisition of 100% of the issued and outstanding shares of Nextleaf by Legion pursuant to the Arrangement.

“**Agency Agreement**” means the agency agreement dated March 14, 2019 among Nextleaf, Legion, Mackie Research Capital Corporation, Industrial Alliance Securities Inc. and Gravitass Securities Inc. respecting the private placement financing transaction of Nextleaf.

“**Arrangement**” means the arrangement under the provisions of Section 288 of the BCA on the terms and subject to the conditions set out in the Arrangement Agreement and the Plan of Arrangement, subject to any amendments or variations thereto made in accordance therewith or made at the direction of the Court in the Final Order.

“**Asset Purchase Agreement**” means the asset purchase agreement dated as of January 10, 2017 between Nextleaf and Ryan Ko, as amended September 30, 2017.

“**AST**” means AST Trust Company (Canada), the Company's registrar and transfer agent.

“**BCA**” means the *Business Corporations Act* (British Columbia), S.B.C. 2002, c. 57, as amended, including the regulations promulgated thereunder.

“**Board**” or “**Board of Directors**” means the board of directors of the Company.

“**Common Shares**” means the common shares in the capital of the Company.

“**Company**” or “**Issuer**” means Nextleaf Solutions Ltd., a company incorporated under the BCA, following the closing of the Acquisition.

“**CSE**” or “**Exchange**” means the Canadian Securities Exchange.

“**Distribution Agreement**” means a distribution agreement between Nextleaf and an equipment supplier dated October 31, 2018.

“**IFRS**” means the International Financial Reporting Standards.

“**Legion**” means Legion Metals Corp., a company incorporated under the under the BCA, and the predecessor company to the Company prior to closing of the Acquisition.

“**Legion Escrow Agreement**” means the escrow agreement dated August 2, 2017 between principals of Legion, Legion and AST Trust Company (Canada), whereby the principals agreed to deposit in escrow their shares.

“**MD&A**” means Management's Discussion and Analysis.

“**MMPR**” means Marihuana for Medical Purposes Regulations.

“**Myriad**” means Myriad Metals Corp., a company incorporated under the BCA.

“**Nextleaf**” means Nextleaf Solutions Ltd., a company incorporated un the BCA, prior to the closing of the Acquisition.

**"Nextleaf Escrow Agreement"** means the escrow agreement dated March 14, 2019 between the principals of the Company, the Company and AST Trust Company (Canada), whereby the principals agreed to deposit their shares in escrow.

**"Nextleaf Innovations"** means Nextleaf Innovations Ltd., a company incorporated under the BCA, and a wholly-owned subsidiary of the Company.

**"Nextleaf Labs"** means Nextleaf Labs Ltd., a company incorporated under the BCA.

**"Nextleaf Labs License Agreement"** means a license agreement between Nextleaf and Nextleaf Labs dated as of July 26, 2018.

**"Nextleaf Labs Sublease Agreement"** means a license agreement between Nextleaf and Nextleaf Labs dated as of July 26, 2018.

**"Nextleaf Lease"** means the Company's commercial lease for its industrial space in Coquitlam, B.C.

**"Nextleaf Five Month Voluntary Pooling Agreements"** means the pooling agreements between the Company and certain shareholders of the Company whereby the shareholders voluntarily agreed to a resale restriction period of five months from the date of issuance on March 14, 2019.

**"Nextleaf Three Year Voluntary Escrow Agreement"** means the escrow agreement dated March 14, 2019 between certain shareholders of the Company, the Company and AST Trust Company (Canada), whereby the shareholders voluntarily agreed to deposit their shares in escrow for three years.

**"Person"** means a company or individual.

**"Registrar and Transfer Agreement"** means the registrar and transfer agreement between Legion and AST Trust Company (Canada) dated August 2, 2017.

**"Securities Laws"** means the applicable securities laws, regulations and rules, and the blanket rulings and policies and written interpretations of, and multilateral or national instruments applicable to, the Company.

**"SEDAR"** means the System for Electronic Document Analysis and Retrieval developed by the Canadian Securities Administrators.

**"Shareholder"** or **"Shareholders"** means the holder or holders of Common Shares of the Company.

**"Stock Option Plan"** or **"Plan"** means the Company's incentive stock option plan, which is a 20% rolling stock option plan.

**"Warrant Indenture"** means the warrant indenture between the Company and AST Trust Company (Canada) dated March 14, 2019, as amended by supplemental indenture dated March 14, 2019.

## 2. Corporate Structure

2.1 *State the full corporate name of the Issuer or, if the Issuer is an unincorporated entity, the full name under which the entity exists and carries on business and the address(es) of the Issuer's head and registered office.*

The Company's head office is located at #304 – 68 Water Street, Vancouver, British Columbia, V6B 1A4 and its registered and records office is located at #600 – 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7. The Company is currently engaged in business in the Province of British Columbia.

2.2 *State the statute under which the Issuer is incorporated or continued or organized or, if the Issuer is an unincorporated entity, the laws of the jurisdiction or foreign jurisdiction under which the Issuer is established and exists. Describe the substance of any material amendments to the articles or other constating or establishing documents of the Issuer.*

The Company was incorporated under the *Business Corporations Act* (British Columbia) on December 8, 2016 under the name "1099582 B.C. Ltd.". The Company changed its name to "Legion Metals Corp." on March 28, 2017 and to "Nextleaf Solutions Ltd." on March 14, 2019.

2.3 *Describe, by way of a diagram or otherwise, the intercorporate relationships among the Issuer and the Issuer's subsidiaries. For each subsidiary state*

- (a) the percentage of votes attaching to all voting securities of the subsidiary represented by voting securities beneficially owned, or over which control or direction is exercised, by the Issuer;*
- (b) the place of incorporation or continuance; and*
- (c) the percentage of each class of restricted shares beneficially owned, or over which control or direction is exercised, by the Issuer.*

The Company has one wholly-owned subsidiary, Nextleaf Innovations Ltd. ("**Nextleaf Innovations**"), a company incorporated under the *Business Corporations Act* (British Columbia).

2.4 *If the Issuer is requalifying following a fundamental change or is proposing an acquisition, amalgamation, merger, reorganization or arrangement, describe by way of diagram or otherwise these intercorporate relationships both before and after the completion of the proposed transaction.*

Prior to closing of the Acquisition pursuant to the Arrangement, Legion was listed on the Exchange under the symbol "LEGN" and had one wholly-owned subsidiary, Myriad. Prior to the closing of the Acquisition, Nextleaf Solutions Ltd. (now Nextleaf Innovations) was at arm's length to Legion.

Following closing of the Acquisition pursuant to the Arrangement, the Company is now named "Nextleaf Solutions Ltd." and has one wholly-owned subsidiary, Nextleaf Innovations. Myriad is now arm's length to the Company.

- 2.5 *Non-corporate Issuers and Issuers incorporated outside of Canada must describe how their governing legislation or constating documents differ materially from Canadian corporate legislation with respect to the corporate governance principles set out in Policy 4.*

This item is not applicable.

3. General Development of the Business

- 3.1 *Describe the general development of the Issuer's business over its three most recently completed financial years and any subsequent period. Include only major events or conditions that have influenced the general development of the Issuer's business. If the business consists of the production or distribution of more than one product or the rendering of more than one kind of service, describe the principal products or services. Also discuss changes in the business of the Issuer that are expected to occur during the current financial year of the Issuer.*

The Company's mission is to acquire, develop and deploy large-scale cannabis and hemp extraction technologies and provide turn-key processing solutions to help licensed cultivators maximize the value of every harvest.

The Company has focused on acquiring and developing cannabis extraction technology, which has resulted in one issued patent (US Patent 9,987,567 – Cannabinoid extraction process and system), one additional US patent expected to be issued in Q2 2019, and a further 21 patents pending.

3.2 *Disclose:*

- (1) (a) *any significant acquisition completed by the Issuer or any significant probable acquisition proposed by the Issuer, for which financial statements would be required under National Instrument 41-101 General Prospectus Requirements if this Listing Statement were a prospectus; and*
- (b) *any significant disposition completed by the Issuer during the most recently completed financial year or the current financial year for which pro forma financial statements would be required under National Instrument 41-101 General Prospectus Requirements if this Listing Statement were a prospectus.*
- (2) *Under paragraph (1) include particulars of*
- (a) *the nature of the assets acquired or disposed of or to be acquired or disposed of;*
- (b) *the actual or proposed date of each significant acquisition or significant disposition;*
- (c) *the consideration, both monetary and non-monetary paid, or to be paid, to or by the Issuer;*

- (d) *any material obligations that must be complied with to keep any significant acquisition or significant disposition agreement in good standing;*
- (e) *the effect of the significant acquisition or significant disposition on the operating results and financial position of the Issuer;*
- (f) *any valuation opinion obtained within the last 12 months required under Canadian securities legislation, a directive of a Canadian securities regulatory authority, or a requirement of a Canadian stock exchange or other Canadian market to support the value of the consideration received or paid by the Issuer or any of its subsidiaries for the assets, including the name of the author, the date of the opinion, the assets to which the opinion relates and the value attributed to the assets; and*
- (g) *whether the transaction is with a Related Party of the Issuer and if so, disclose the identity of the other parties and the relationship of the other parties to the Issuer.*

Nextleaf acquired intellectual property and equipment from Ryan Ko on January 10, 2017 under an asset purchase agreement (the “**Asset Purchase Agreement**”), which was amended September 30, 2017. The assets acquired by Nextleaf included process intellectual property relating to cannabis extraction, refinement and distillation process, which now forms part of the Company’s intellectual property. Under the Asset Purchase Agreement, Nextleaf also acquired goodwill from Ryan Ko, including industry experience, expertise, key relationships with licensed producers and industry bodies in Canada. Under the Asset Purchase Agreement, as consideration for the assets Nextleaf issued an aggregate of 11,435,186 shares at a price of \$0.05 per share (taking into account Nextleaf’s subsequent 1:2.25 share split, the shares would become 25,729,169 shares at a price of \$0.1125 per share).

The Company has entered into distribution agreement dated October 31, 2018 (the “**Distribution Agreement**”) with an equipment supplier (the “**Equipment Supplier**”). Under the Distribution Agreement, the Equipment Supplier has granted the Company and its affiliates the exclusive right to sell and distribute the Equipment Supplier’s products (“**Products**”) for use in cannabis organic extraction processes worldwide for a term of five years, with automatic renewal for subsequent five year periods in perpetuity unless otherwise agreed upon by the parties in writing. Pricing for any Products will be as agreed by the parties in writing. The parties will equally split the net profits (being gross sales revenue minus material and labour costs for the Products, including direct material, direct labour and third party manufacturing and distribution costs for international distribution) from any Product sales. In addition, under the Distribution Agreement the Company is required to: maintain a minimum sales and marketing budget of \$300,000-\$500,000 per year (including salaries and management fees for personnel and/or services devoted to sales and marketing) to promote and market the Products; hire a sales manager to assist with marketing, sales and promotion of the Products; use the Company’s British Columbia locations as a showroom to facilitate Product demonstrations; and use its best efforts to participate in three major Canadian trade shows and three international trade shows per year in an effort to market, promote and sell the Products.

3.3 *Discuss any trend, commitment, event or uncertainty that is both presently known to management and reasonably expected to have a material effect on the Issuer's business,*



*financial condition or results of operations, providing forward-looking information based on the Issuer's expectations as of the date of the Listing Statement.*

The cannabis industry has experienced a surge in industry revenue and investment over the last several years due, in part, to changes to the regulatory framework governing the cultivation and distribution of cannabis and consumer trends toward the use of alternative forms of medical treatments such as cannabis. The Company believes that the increased demand for legal cannabis products will continue over the next decade as a result of increasing awareness and acceptance of the safety and efficacy of the medicinal properties of cannabis. The regulation of cannabis has often been contentious, with regular legal challenges to a number of aspects of the industry. With the new regulatory framework governing cannabis in its infancy, the Company expects this culture of legal challenges to continue. Although an increasing percentage of Canadians use cannabis products to alleviate pain and to treat other health conditions, physician attitudes toward prescribing medical cannabis remains cautious. The Company believes that only a small percentage of Canadian doctors consider cannabis as a therapeutic alternative for their patients, and an even smaller core group of medical practitioners are active and significant prescribers. The Company expects a trend toward increased investment in education and research, which should contribute to physician awareness and help the market grow over time.

The Company's business is dependent upon consumer awareness and market acceptance of the distilled cannabinoid oil created by the Company's patented process, which can be consumed as an edible oil and can also be made into a variety of infused products for consumers, including: infused edible foods, cartridges for vape pens, topical creams and gel capsules. The primary competing method of legal cannabis consumption is smoking dried cannabis buds. The Company may not be able to anticipate and react to trends within the licensed cannabis consumption market in a timely manner or accurately assess the impact that such trends may have on consumer preferences. New methods of consumption may adversely affect demand for edible cannabis products, and therefore adversely impact demand for the Company's extraction units.

Failure to respond to changes in consumer preferences or anticipate market trends may adversely affect The Company's future revenues and performance. Although the Company has strived to establish market recognition for its products in the industry, it is too early in the life cycle of the Company's brand to determine whether the Company's extraction methodology will achieve and maintain satisfactory levels of acceptance and sustained take-up by licensed producers.

There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the legal cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and services, and, correspondingly, on the Company's business, results of operations, financial condition and cash flows.

The effect of consumer perceptions on the legal cannabis market means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the demand for the Company's products and services, and, correspondingly, on the Company's business, results of operations, financial condition and cash flows.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Also, see the risk factors noted under Item 17 - *Risk Factors*. Other than such risk factors and the foregoing, the Company is not aware of any other trends, commitments, events or uncertainties that would have a material adverse effect on its business, financial condition or results of operations.

#### 4 Narrative Description of the Business

##### 4.1 General

- (1) *Describe the business of the Issuer with reference to the reportable operating segments as defined in the Handbook and the Issuer's business in general. Include the following for each reportable operating segment of the Issuer:*
  - (a) *state the business objectives that the Issuer expects to accomplish in the forthcoming 12-month period;*
  - (b) *describe each significant event or milestone that must occur for the business objectives in (a) to be accomplished and state the specific time period in which each event is expected to occur and the costs related to each event;*
  - (c) *disclose the total funds available to the Issuer and the following breakdown of those funds:*
    - (i) *the estimated consolidated working capital (deficiency) as of the most recent month end prior to filing the Listing Statement, and*
    - (ii) *the total other funds, and the sources of such funds, available to be used to achieve the objectives and milestones set out in paragraphs (a) and (b); and*
  - (d) *describe in reasonable detail and, if appropriate, using tabular form, each of the principal purposes, with approximate amounts, for which the funds available described under the preceding paragraph will be used by the Issuer.*

##### *Regulatory Framework*

The production, distribution and sale of medicinal and adult-use cannabis is tightly controlled by the Canadian federal government. In 2013, Health Canada introduced the commercial cannabis licensed producer program under the Marihuana for Medical Purposes Regulations (“**MMPR**”) program. In 2015, the Supreme Court of Canada found certain elements of the MMPR unconstitutional which led to the development of the “**ACMPR**” (Access to Cannabis for Medical Purposes Regulations), specifically medical cannabis patients having the right to use oils and derivative forms of cannabis. The February 2016 Supreme Court of Canada decision in *Allard v.*

*Canada* found that requiring individuals to get their cannabis only from licensed producers violated liberty and security rights protected by the Canadian Charter of Rights and Freedoms. The Court found that individuals who require cannabis for medical purposes did not have “reasonable access” if only allowed to purchase from Licensed Producers. In August 2016, the MMPR was replaced by the ACMPR. The ACMPR program as it related to commercial production is very similar to the MMPR. However, the major change was the streamlined approach to identifying and being approved for various cannabis-related activities. In April 2017, the federal government introduced legislation to legalize the recreational use of cannabis. This resulted in the *Cannabis Act (An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts)*, also known as Bill C-45, which, upon coming into effect on October 17, 2018, legalized recreational use of cannabis in Canada, when combined with Bill C-46, An Act to Amend the Criminal Code. The *Cannabis Act* was passed by the House of Commons of Canada in late November 2017. It was passed in the Senate of Canada on June 7, 2018, and the House accepted certain Senate amendments and sent the bill back to the Senate on June 18, 2018. The Senate then passed the final version of the bill on June 19, 2018 and it received Royal Assent on June 21, 2018. The *Cannabis Act* became effective on October 17, 2018. The law is a milestone in the legal history of cannabis in Canada and is the evolution of Canada’s commitment to rational cannabis laws. The *Cannabis Act* encompasses all constitutional rights protected under the ACMPR but also allows for the production and sale of cannabis in Canada to any individual over the age of majority. Under this legislation licenses granted by Health Canada are more specific to the activities allowed under those licenses. It also makes a differentiation between “standard” and “micro” licenses. Micro licenses, granted to smaller cultivators and producers, will allow a lower barrier to entry for individuals and smaller companies who do not have the capital expenditure to compete with large or standard licensed cannabis cultivators and producers. As an ACMPR licensed producer applicant, Nextleaf Labs has been grandfathered into the new licensing regime under the *Cannabis Act*. The transition of licensing to a new class of license, referred to as a “Standard Processing License”, took place in October 2018. Distribution and sales of recreational adult-use cannabis will be determined by each individual province. The distribution model of each province will not adversely affect the Company as a business-to-business provider.

The Company ensures compliance with laws and regulations governing cannabis in Canada, including the production of edibles concentrates and other cannabis infused products that are anticipated to become legal for sale in October 2019, by following the *Cannabis Act*, all related licensing and regulatory rules covering the production and research of cannabis, along with follows industry norms that licensed producers in Canada follow in regards to the laws and regulations related to cannabis production, storage, transportation and sale in Canada.

### *The Company’s Business*

The Company is a cannabis extraction technology company that has developed patented processes for the production of cannabinoid distillate, the precursor to every cannabis-infused product. The Company’s patented technology allows for low quality dried cannabis biomass, including failed crops, to be processed into high-purity distillate oil of up to 95% cannabinoids. The Company delivers its proprietary and patented technology using its mobile extraction lab at licensed production facilities. Once the Company’s centralized processing facility in Coquitlam, British Columbia receives a Standard Processing License from Health Canada, the Company will provide processing solutions to licensed cultivators of cannabis and hemp, and supply cannabis oil to qualified Canadian and international business-to-business partners under their own brand. The Company generates revenue through four verticals: toll processing, white label production, licensing intellectual property, and equipment sales. In order to complete any sales of cannabis

oil, the Company must be granted an Authorization to Distribute License. A distribution authorization will permit the Company to complete sales to other *Cannabis Act* licensed producers. The distribution authorization is contingent upon “practice lot” production, an evidence package submission and an additional inspection.

The Company’s mission is to develop and deploy large-scale cannabis and hemp extraction technologies and provide turn-key processing solutions to help licensed cultivators maximize the value of every harvest.

The Company owns and continually invests in an intellectual property portfolio of systems, methods, and apparatuses for the extraction and refinement of high-value extracts from cannabis and hemp biomass, as well as formulations for a number of cannabinoid-infused products. The Company’s patented technology and market-validated formulations help cultivators increase revenue and profitability through extraction and purification of biomass into colourless, tasteless, odourless cannabinoid distillate oil. Containing a cannabinoid concentration of up to 95%, the resulting distillate is easy to dose, formulate, and develop into innovative, value-added products for medical and adult-use markets. The Company owns one issued patent (US Patent 9,987,567 – Cannabinoid extraction process and system), anticipates an additional US patent to be issued in Q2 2019, and has a further 21 patents pending.

The Company is currently building out its 6,540 square feet centralized processing facility in Coquitlam, British Columbia, scheduled for completion in Q1 2019. The Company has built out the facility to be able to offer toll processing and white label production to licensed standard and micro cultivators, hemp farmers, and standard processors. The centralized processing facility is intended to be used to commercialize the Company’s patented technology by offering cannabis extraction and distillation processing services to licensed cultivators and processors. The facility has an initial capacity to process up to 100,000 kg of dried cannabis biomass per year and produce 307,000 litres of cannabis oil. The Company’s facility also includes dedicated research and laboratory infrastructure, allowing for the continued and rapid development of novel, scalable cannabis processing technologies.

Nextleaf Labs Ltd. (“**Nextleaf Labs**”) was incorporated in June 2018 to apply to Health Canada for a Dealer’s License (now a Research Licence) and ACMPR Licensed Producer (now a Standard Processing Licence). Nextleaf Labs is a fully independent corporate entity which has licensed intellectual property and subleased production space from the Company in exchange for 100% of the revenue generated by Nextleaf Labs pursuant to a license agreement (the “**Nextleaf Labs License Agreement**”) and a sublease agreement (the “**Nextleaf Labs Sublease Agreement**”), each dated as of July 26, 2018. Under the Nextleaf Labs License Agreement, the Company has a priority right to negotiate the acquisition of any licenses obtained by Nextleaf Labs.

The Company has designed and built a mobile extraction lab, fully-equipped to process 20 kg per hour of biomass into cannabis oil. The Company’s mobile extraction lab can process cannabis as a fee/toll-based service at any client’s licensed facility.

#### *Significant Events/Milestones*

1. Complete construction of its centralized processing facility in Coquitlam, B.C. The Company’s management will oversee the completion of its initial 6,540 sq. ft. centralized

extraction facility including the purchase and installation of equipment, lighting, ventilation, security system and vault. Target: completion: quarter ended March 31, 2019.

2. Secure a Health Canada Research Licence. Holders of a Research Licence (formally Dealer's Licence) under the Health Canada Narcotic Control Regulations are parties who are licensed to conduct defined research activities with medical and adult-use cannabis. Target: quarter ended June 30, 2019.
3. Purchase and setup extraction and processing equipment at centralized processing facility. The Company will fully outfit its centralized facility with equipment necessary to process cannabis using its patented technology. The system will be a larger version of the equipment and system currently installed in the Company's mobile extraction lab. Target: quarter ended June 30, 2019.
4. Secure a Health Canada Standard Processing Licence (formally Licenced Producer) for production of cannabis oil and sale of cannabis oil to other Health Canada licenced companies (business to business sales only). Target: quarter ended June 30, 2019 or quarter ended September 30, 2019.
5. Secure an Authorization to Distribute License from Health Canada. A distribution authorization will permit Nextleaf to complete sales to other *Cannabis Act* licensed producers. The distribution authorization is contingent upon "practice lot" production, an evidence package submission and an additional inspection. Target: quarter ended September 30, 2019 or quarter ended December 31, 2019.

#### *Total Funds Available*

In connection with the Acquisition, Nextleaf completed a brokered and a non-brokered private placement (together, the "**Offering**") of units of Nextleaf (each, a "**Unit**") at a price of \$0.35 per Unit for aggregate gross proceeds of \$5,000,000 through the issuance of an aggregate of 14,285,714 Units. Mackie Research Capital Corporation acted as lead agent and sole bookrunner, on behalf of a syndicate of agents including Gravititas Securities Inc., for the brokered portion of the Offering, in connection with which Nextleaf and the brokers entered into the Agency Agreement.

Each Unit was comprised of one ordinary share (a "**Unit Share**") and one ordinary share purchase warrant of Nextleaf (a "**Warrant**"). Each Warrant is exercisable to purchase one share (a "**Warrant Share**") at a price of \$0.70 for a period of 24 months from the closing date, provided that if the closing price of the shares of the Company on the Canadian Securities Exchange, or any other stock exchange on which the shares are listed, is at a price greater than CDN\$1.25 per share for a period of 20 consecutive trading days, then the expiry date shall automatically accelerate and will expire on the date that is 30 days after the date that notice of such acceleration is provided to the warrant holders by way of press release. The Warrants were issued under a warrant indenture (the "**Warrant Indenture**") between the Company and AST Trust Company (Canada) dated March 14, 2019, as amended by supplemental indenture dated March 14, 2019. Nextleaf also issued 569,446 Agents' warrants (each an "**Agent's Warrant**") under the brokered portion of the Offering. Each Agent's Warrant is exercisable for one share for a period of 24 months from the closing date at an exercise price of \$0.35 per share.

### *Principal Uses of Funds*

Nextleaf intends to use the funds available from the Offering as follows:

|  | Completed Offering<br>of \$5.0m |
|--|---------------------------------|
| Processing, Extraction and Distillation<br>Equipment | \$2,600,000                     |
| Patents and R&D                                      | \$350,000                       |
| Strategic Investments <sup>(1)</sup>                 | \$150,000                       |
| General and Administration <sup>(2)</sup>            | \$1,540,000                     |
| Capital Market Placement Costs                       | \$300,000 <sup>(3)</sup>        |
| Unallocated Working Capital                          | \$60,000                        |
| <b>Total</b>   | <b>\$5,000,000</b>              |

### Notes:

- (1) Strategic investments include transactions disclosed in this Listing Statement as well as other potential strategic investments that may arise in the future.
- (2) See table below for further detail respecting general and administration expenditures, which include the minimum sales and marketing budget of \$300,000-\$500,000 under the Distribution Agreement described in Item 3.2 above.
- (3) Comprised of commission, plus legal costs, offering expenses and corporate finance fee.

The Company's working capital available to fund ongoing operations is sufficient to meet administrative costs and expenditures for at least twelve months. The Company has had negative cash flow from its operating activities since its incorporation and expects to continue to have negative cash flow from its operating activities in the future. The Company's source of funds since incorporation has been from the sale of equity capital and the Company expects that equity capital will continue to be its source of funds in the future. See "Risk Factors" for further disclosure of the risk of negative cash flow from its operating activities.

A breakdown of the range of estimated general and administration expenses for the next 12 months following the Company becoming a public company is set out below:

| 12 Month General & Administrative Expenses | Completed Offering of \$5.0m |
|--|------------------------------|
| Profession Fees (Audit and Legal)          | 80,000                       |
| Wages/Management Fees <sup>(1)</sup>       | 1,060,000                    |
| Rent                                       | 120,000                      |
| Other Administrative Expenses              | 280,000                      |
| <b>Total</b>                               | <b>\$1,540,000</b>           |

Note:

(1) Wages/management fees include the minimum sales and marketing budget of \$300,000-\$500,000 under the Distribution Agreement described in Item 3.2 above.

(2) *For principal products or services describe:*

- a) *the methods of their distribution and their principal markets;*
- b) *as dollar amounts or as percentages, for each of the two most recently completed financial years, the revenues for each category of principal products or services that accounted for 15 per cent or more of total consolidated revenues for the applicable financial year derived from:*
  - (i) *sales or transfers to joint ventures in which your company is a participant or to entities in which your company has an investment accounted for by the equity method,*
  - (ii) *sales to customers, other than those referred to in clause (i), outside the consolidated entity,*
  - (iii) *sales or transfers to controlling shareholders; and*
  - (iv) *sales or transfers to investees.*
- c) *if not fully developed, the stage of development of the principal products or services and, if the products are not at the commercial production stage,*
  - (i) *the timing and stage of research and development programs,*
  - (ii) *the major components of the proposed programs, including an estimate of anticipated costs,*
  - (iii) *whether the Issuer is conducting its own research and development, is subcontracting out the research and development or is using a combination of those methods, and*

- (iv) *the additional steps required to reach commercial production and an estimate of costs and timing.*

### *Services Offerings*

The Company is a cannabis extraction technology company that has developed patented processes for the production of cannabinoid distillate, the precursor to every cannabis-infused product. Nextleaf's patented technology allows for low quality dried cannabis biomass, including failed crops, to be processed into high-purity distillate oil of up to 95% cannabinoids. The Company delivers its proprietary and patented technology using its mobile extraction lab at licensed production facilities. Once the Company's centralized processing facility in Coquitlam, British Columbia receives a Standard Processing License from Health Canada, the Company will provide processing solutions to licensed cultivators of cannabis and hemp, and supply cannabis oil to qualified Canadian and international business-to-business partners under their own brand. The Company generates revenue through four verticals: toll processing, white label production, licensing intellectual property, and equipment sales. In order to complete any sales of cannabis oil, the Company must be granted an Authorization to Distribute License. A distribution authorization will permit Nextleaf to complete sales to other *Cannabis Act* licensed producers. The Company's four verticals are described in more detail below:

#### *Mobile Toll Processing*

The Company has designed and built a mobile extraction lab, fully-equipped to process 20 kg per hour of biomass into cannabis oil. The Company's mobile extraction lab can process cannabis as a fee/toll-based service at any client's licensed facility. The Company's mobile extraction lab was built with the micro-processor in mind to process cannabis oil as a service at the client's licensed facility. The mobile extraction lab can travel to Health Canada licensed production facilities to process client's cannabis biomass into distilled cannabinoid oil. The mobile lab is a customized flat-bed trailer specifically designed to transport the mobile extraction lab from one facility to another. In order to manufacture additional mobile extraction labs, in 2017 Nextleaf entered into a manufacturing agreement with K-Line Trailers Ltd. of Langley, British Columbia for the custom design, development and manufacture of the mobile extraction labs. As Nextleaf's exclusive manufacturing partner, K-Line has over 20 years of industry expertise in the manufacturing of custom industrial trailers.





Figure 1: Exterior of Mobile Extraction Lab



Figure 2: Interior of Mobile Extraction Lab

### *Manufacturing Facility in Coquitlam*

The Company is currently building out its 6,540 square feet centralized processing facility in Coquitlam, British Columbia, scheduled for completion in Q4 2018. The Company's manufacturing facility is located in a M2 zoned light industrial area which complies with the city's zoning by-laws. As per Health Canada regulations, it is located well away from any residential and school zones. The building is a retrofitted warehouse that has been purpose-built for cannabis production. The Company's state of the art facility is designed to adhere to Good Manufacturing Practices (GMP) requirements. The Company has built out the facility to be able to offer toll processing, and white label production to licensed standard and micro cultivators of cannabis, standard processors, and hemp farmers. The Coquitlam processing facility is intended to be used to commercialize the Company's patented technology by offering cannabis extraction and distillation processing services to licensed cultivators and processors. The facility has an initial capacity to process up to 100,000 kg of dried cannabis biomass per year and produce 307,000 litres of cannabis oil. The Company generates revenue from licensing its intellectual property. Upon the Company holding the appropriate Health Canada licensing, the Company expects to generate revenues through toll processing and white label production. In order to complete any sales of cannabis oil, the Company must be granted an Authorization to Distribute License. A distribution authorization will permit the Company to complete sales to other *Cannabis Act* licensed producers. The distribution authorization is contingent upon "practice lot" production, an evidence package submission and an additional inspection.



Figure 3: Interior of Centralized Processing Facility



Figure 4: Interior of Centralized Processing Facility



Figure 5: Interior of Centralized Processing Facility

Nextleaf Labs is a fully independent corporate entity which has licensed intellectual property and subleased production space from the Company in exchange for 100% of the revenue generated by Nextleaf Labs. Nextleaf Labs is led by its President Tom Ulanowski, who from 2015-2018 was the Quality Assurance Person, Qualified Person in Charge, and Manager of Canna Farms, B.C.'s first licensed producer. Tom is a Chartered Chemist (ACPO) and holds an HSc Degree in Analytical Chemistry from the University of Toronto, as well as a MSc Degree in Biogeochemistry from the University of Western Ontario. At Canna Farms, Tom ensured that all of the Company's dried cannabis and cannabis oil products were produced under current Good Production/Manufacturing Practices (cGPP/GMP), and that all products exceeded strict quality

**FORM 2A – LISTING STATEMENT**

January 2015

Page 19

standards, as required under Health Canada's ACMPR. During his three years at Canna Farms, Tom quality-assured hundreds of batches of cannabis, while helping the Company to obtain multiple production and sales licenses, expand operations, and increase output ten-fold via improvements to current practices and the development of new processes and products. Tom was successful in achieving a “Low-Risk” rating for Canna Farms (one of the first LPs in Canada to obtain this important designation), showcasing his meticulous attention to detail, and knowledge of regulations and industry best practices.

#### *Licensing Intellectual Property*

The Company owns and continually invests in an intellectual property portfolio of systems, methods, and apparatuses for the extraction and refinement of high-value extracts from cannabis and hemp biomass, as well as formulations for a number of cannabinoid-infused products. The Company's patented technology and market-validated formulations help cultivators increase revenue and profitability through extraction and purification of biomass into colourless, tasteless, odourless cannabinoid distillate oil. Containing a cannabinoid concentration of up to 95%, the resulting distillate is easy to dose, formulate, and develop into innovative, value-added products for medical and adult-use markets. The Company owns one issued U.S. patent, expects one patent to be issued by the U.S. Patent and Trademark Office in Q1 2019, and has 18 patents pending. Nextleaf licenses its intellectual property to qualified Canadian and international business-to-business partners for use in producing products under their own brand.

#### *Selling Equipment*

The Company may generate revenue by selling extraction related equipment to customers for use in producing cannabis products at their own licensed facilities.

(3) *Concerning production and sales, disclose:*

- a) *the actual or proposed method of production of products and if the Issuer provides services, the actual or proposed method of providing services;*
- b) *the payment terms, expiration dates and terms of any renewal options of any material leases or mortgages, whether they are in good standing and, if applicable, that the landlord or mortgagee is a Related Person of the Issuer;*
- c) *specialized skill and knowledge requirements and the extent that the skill and knowledge are available to the Issuer;*
- d) *the sources, pricing and availability of raw materials, component parts or finished products;*
- e) *the importance, duration and effect on the segment of identifiable intangible properties such as brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks;*
- f) *the extent to which the business of the segment is cyclical or seasonal;*



- g) *a description of any aspect of the Issuer's business that may be affected in the 12 months following the date of the Listing Statement by renegotiation or termination of contracts or sub-contracts and the likely effect;*
- h) *the financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of the Issuer in the current financial year and the expected effect, on future years;*
- i) *the number of employees, as at the most recent financial year end or as an average over that year, whichever is more relevant;*
- j) *any risks associated with foreign operations of the Issuer and any dependence of the segments upon the foreign operations;*
- k) *a description of any contract upon which your company's business is substantially dependent, such as a contract to sell the major part of your company's products or services or to purchase the major part of your company's requirements for goods, services or raw materials, or any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which your company's business depends;*
- l) *a description of any aspect of your company's business that you reasonably expect to be affected in the current financial year by renegotiation or termination of contracts or sub-contracts, and the likely effect.*

### *Production and Sales*

The Company has designed and built a mobile extraction lab, fully-equipped to process 20 kg per hour of biomass into cannabis oil. The Company's mobile extraction lab can process cannabis as a fee/toll-based service at any client's licensed facility. The Company is currently building out its 6,540 square feet centralized processing facility in Coquitlam, British Columbia, scheduled for completion in Q1 2019. The Company has built out the facility to be able to offer toll processing, and white label production to licensed standard and micro cultivators, hemp farmers, and standard processors. The centralized processing facility is intended to be used to commercialize the Company's patented technology by offering cannabis extraction and distillation processing services to licensed cultivators and processors. The facility has an initial capacity to process up to 100,000 kg of dried cannabis biomass per year and produce 307,000 litres of cannabis oil. The Company generates revenue through four verticals: toll processing, white label production, licensing intellectual property and selling equipment. In order to complete any sales of cannabis oil, the Company must be granted an Authorization to Distribute License. A distribution authorization will permit the Company to complete sales to other *Cannabis Act* licensed producers. The distribution authorization is contingent upon "practice lot" production, an evidence package submission and an additional inspection.

The Company leases the industrial space where its lab is located from an arm's length party. The standard commercial lease (the "**Nextleaf Lease**") commenced July 1, 2018 and runs five years with an option to renew five additional year at current prevailing market rates. The leased facility is approximately 6,544 square feet in total. Currently monthly rent and common area costs are \$8,996 plus GST.

Management believes there is an ample supply of low-quality cannabis and hemp biomass available and a lack of extraction and processing capacity in the industry. Once licensed, the Company can purchase raw biomass from licensed standard and micro cultivators of cannabis along with CBD rich hemp flower from hemp farmers. The Company is projecting the price of raw biomass to cost at or below \$1,750 per kilogram.

The Company has developed a portfolio of patented and patent pending processes and technology for the production of cannabinoid distillate, the precursor to every cannabis-infused product. The Company's patented technology allows for low quality dried cannabis biomass, including failed crops, to be processed into high-purity distillate oil of up to 95% cannabinoids. The Company believes its portfolio of patented and patent pending technology will create a competitive advantage versus competitors that do not possess intellectual property and patents. Nextleaf has also been issued two trademarks related to its brand and logo.

The ownership and protection of the Company's intellectual property rights is a significant aspect of its future success. Currently the Company relies on its patents, patents pending, trade secrets, technical know-how and proprietary information to protect its intellectual property. The Company attempts to protect its intellectual property by entering into confidentiality agreements with parties that have access to it, such as business partners, collaborators, employees and consultants. Any of these parties may breach these agreements and the Company may not have adequate remedies for any specific breach. In addition, the Company's trade secrets and technical know-how, which are not protected by patents, may otherwise become known to or be independently developed by competitors, in which event the Company's business, financial condition and results of operations could be materially adversely affected. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products, trade secrets, technical know-how and proprietary information that are not protected by patents. Policing the unauthorized use of the Company's current or future intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the Company's current or future trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for the benefit of the Company, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the Company's current or future trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect the business, financial condition and results of operations of the Company. In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that the Company has infringed on their lawful rights. However, such licenses may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

In the event that the Company obtains all requisite licenses for the production of cannabis oil and related products, its operations will be subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Government approvals and permits are currently and may in the future be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of cannabis oil or related products or from proceeding with the development of its operations as currently proposed. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing the production of cannabis oil and related products, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

The Company currently has a total of 10 full-time equivalent employees and consultants.

- (4) *Describe the competitive conditions in the principal markets and geographic areas in which the Issuer operates, including, if reasonably possible, an assessment of the Issuer's competitive position.*

Currently, the extraction technology industry (specifically those focused on cannabis extraction technologies) is relatively new and immature - with much of the existing equipment being retrofitted from other applications or industries, such as essential oil extraction and decaffeination. The Company is unique in that its process is patented, which protects the methodology of the entire extraction to distillation solution. The Company utilizes existing technology to provide this turnkey solution for its customers.

There exists a number of extraction technology companies, each specializing in selling equipment that relates to extraction and, refinement of cannabinoids or distillation technology. Companies that provide this technology are (without limitation): Vitalis Extraction Solutions, Advanced Extraction Solutions, Apex Supercritical, United Science, Eden Labs, and Precision Extraction Systems. These competitors offer a range of options to clients interested in purchasing such equipment, from very basic units and small scale offerings, to highly optimized commercial machines.

There are a number of companies in Canada offering toll processing to licensed cultivators of cannabis and hemp and supplying cannabis oil to qualified Canadian business-to-business partners under their own brand. The cannabis production industry is competitive in all of its phases. The Company faces strong competition from other companies in connection with such

matters. Many of these companies have greater financial resources, and operational experience than Nextleaf. The Company may face additional competition from new entrants. If the number of users of marijuana in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company has two specific types of competition: (i) existing licensed producers and their ability to conduct extraction in-house; and (ii) other similar cannabis concentrate processors. To the Company's knowledge, there are three publicly traded companies with a similar business model to the Company; however, as of the date of this Listing Statement none of these companies have developed, received or acquired patented technology for proprietary methodology or process. There are approximately 131 licensed producers currently authorized to grow cannabis in Canada as at the date hereof. Approximately more than 50 of those 131 Licensed Producers have an oil production and/or sales license. The Company anticipates that Health Canada will continue to license many cannabis businesses in the future under the *Cannabis Act*, which replaced the ACMPR as of October 17, 2018. A higher number of approved commercial cultivators is expected to be beneficial to the Company business as it will lower the wholesale cost of dried cannabis, which is Nextleaf's biggest expense in the ordinary course of business. The Company cannot predict the number of other similar cannabis concentrate processors that will enter the industry.

- (5) *With respect to lending operations of an Issuer's business, describe the investment policies and lending and investment restrictions.*

This item is not applicable.

- (6) *Disclose the nature and results of any bankruptcy, or any receivership or similar proceedings against the Issuer or any of its subsidiaries or any voluntary bankruptcy, receivership or similar proceedings by the Issuer or any of its subsidiaries, within the three most recently completed financial years or the current financial year.*

This item is not applicable.

- (7) *Disclose the nature and results of any material restructuring transaction of the Issuer within the three most recently completed financial years or completed during or proposed for the current financial year.*

This item is not applicable.

- (8) *If the Issuer has implemented social or environmental policies that are fundamental to the Issuer's operations, such as policies regarding the Issuer's relationship with the environment or with the communities in which the Issuer does business, or human rights policies, describe them and the steps the Issuer has taken to implement them.*

The Company has not implemented any social or environmental policies.

*Companies with Asset-backed Securities Outstanding*



4.2 *In respect of any outstanding asset-backed securities, disclose the following information:*

This item is not applicable.

4.3 *For Issuers with a mineral project, disclose and insert here the information required by Appendix A for each property material to the Issuer.*

This item is not applicable.

4.4 *For Issuers with Oil and Gas Operations disclose and insert here the information required by Appendix B (in tabular form, if appropriate).*

This item is not applicable.

## 5. Selected Consolidated Financial Information

5.1 *Annual Information - Provide the following financial data for the Issuer in summary form for each of the last three completed financial years and any period subsequent to the most recent financial year end for which financial statements have been prepared, accompanied by a discussion of the factors affecting the comparability of the data, including discontinued operations, changes in accounting policies, significant acquisitions or significant dispositions and major changes in the direction of the Issuer's business:*

- (a) *net sales or total revenues;*
- (b) *income from continuing operations, in total and on a per share basis and fully diluted per share basis, calculated in accordance with the Handbook;*
- (c) *net income or loss, in total and on a per share and fully diluted per share basis, calculated in accordance with the Handbook;*
- (d) *total assets;*
- (e) *total long-term financial liabilities as defined in the Handbook;*
- (f) *cash dividends declared per share for each class of share; and*
- (g) *such other information as would enhance an investor's understanding of the Issuer's financial condition and results of operations and would highlight other trends in financial condition and results of operations.*

The following tables set out certain selected financial information of Legion for the periods indicated.

|                                     | <b>Year ended<br/>March 31,<br/>2018</b> | <b>Period from<br/>Incorporation to<br/>March 31, 2017</b> |
|-------------------------------------|--|--|
| Mineral properties                  | \$150,000                                | \$0  |
| Total assets                        | \$491,738                                | \$123,866  |
| Total revenues                      | \$10,289                                 | \$0  |
| Long-term debt                      | \$0                                      | \$0  |
| Property investigation fee          | \$1,600                                  | \$2,500  |
| General and administrative expenses | \$7,496                                  | \$13,054   |
| Net loss                            | \$279,260                                | \$15,554   |
| Basic and diluted loss per share    | \$0.03                                   | \$0.28   |

The following tables set out certain selected financial information of Nextleaf for the periods indicated.

|   | <b>Year Ended<br/>September 30,<br/>2018 (\$)</b> | <b>Year Ended<br/>September 30, 2017<br/>(\$)</b> |
|---|---|---|
| Revenues                                | \$523,408   | \$119,760   |
| Net Income (Loss)                       | \$ (640,631)                                      | \$ (504,488)                                      |
| Basic & Diluted Income (Loss) per share | (\$0.04)  | (\$0.03)  |
| Total Current Assets                    | \$2,037,801                                       | \$802,183   |
| Total Assets                            | \$ 5,063,449                                      | \$2,008,232                                       |
| Total Current Liabilities               | \$749,833   | \$144,143   |
| Long Term Liabilities                   | \$0   | \$0   |
| Working Capital (deficit)               | \$1,287,968                                       | \$658,040   |

Please refer to Management's Discussion and Analysis below for a full discussion of the data, including, among other matters, the comparability of data and changes in accounting policies.

5.2 *Quarterly Information* — For each of the eight most recently completed quarters ending at the end of the most recently completed financial year, provide the information required in paragraphs (a), (b) and (b) of Section 5.1.

The following table summarizes information derived from Legion's financial statements for the each of the eight most recently completed quarters:

|  | <b>March<br/>31, 2018<br/>(\$)</b> | <b>June<br/>30, 2018<br/>(\$)</b> | <b>September<br/>30, 2018<br/>(\$)</b> | <b>December<br/>31, 2018<br/>(\$)</b> |
|--|------------------------------------|-----------------------------------|--|---------------------------------------|
| Revenues   | 10,289                             | 16,159                            | 5,337                                  | -                                     |
| Net income (loss) before other income/ expenses                | (48,426)                           | (13,890)                          | (39,855)                               | (49,488)                              |
| Net income (loss) after other income / expenses                | (191,426)                          | (18,996)                          | (39,855)                               | (116,579)                             |
| Net Income (loss) per share – basic and diluted <sup>(1)</sup> | (0.02)                             | (0.00)                            | (0.00)                                 | (0.01)                                |
| Weighted average number of shares outstanding                  | 12,685,948                         | 12,764,600                        | 12,764,600                             | 12,764,600                            |

|  | <b>March<br/>31, 2017<br/>(\$)</b> | <b>June<br/>30, 2017<br/>(\$)</b> | <b>September<br/>30, 2017<br/>(\$)</b> | <b>December<br/>31, 2017<br/>(\$)</b> |
|--|------------------------------------|-----------------------------------|--|---------------------------------------|
| Revenues   | 10,289                             | Nil                               | Nil                                    | Nil                                   |
| Net income (loss) before other income/ expenses                | (15,554)                           | (22,971)                          | (43,840)                               | (21,023)                              |
| Net income (loss) after other income / expenses                | (15,554)                           | (22,971)                          | (43,840)                               | (21,023)                              |
| Net Income (loss) per share – basic and diluted <sup>(1)</sup> | (0.28)                             | (0.00)                            | (0.01)                                 | (0.01)                                |
| Weighted average number of shares outstanding                  | (55,088)                           | 7,091,667                         | 8,427,539                              | 11,764,600                            |

The following table summarizes information derived from Nextleaf's financial statements for the each of the eight most recently completed quarters:

| <b>Quarter Ended</b>                    | <b>Dec 31</b> | <b>Sep 30</b> | <b>Jun 30</b> | <b>Mar 31</b> |
|---|---------------|---------------|---------------|---------------|
| <b>Year</b>                             | <b>2018</b>   | <b>2018</b>   | <b>2018</b>   | <b>2018</b>   |
| Revenue                                 | \$-           | \$182,000     | \$90,172      | \$221,002     |
| Net Income (Loss)                       | \$(732,121)   | \$(769,437)   | \$(428,424)   | \$(614,305)   |
| Basic & Diluted Income (Loss) per share | \$(0.01)      | \$(0.01)      | \$(0.01)      | \$(0.01)      |

| Quarter Ended                           | Dec 31      | Sep 30      | Jun 30      | Mar 31     |
|---|-------------|-------------|-------------|------------|
| Year                                    | 2017        | 2017        | 2017        | 2017       |
| Revenue                                 | \$30,234    | \$119,760   | \$0         | \$0        |
| Net Income (Loss)                       | \$(324,014) | \$(356,161) | \$(123,659) | \$(24,667) |
| Basic & Diluted Income (Loss) per share | \$(0.01)    | \$(0.01)    | \$(0.03)    | \$(0.00)   |

5.3 *Dividends – disclose:*

- (a) *any restriction that could prevent the Issuer from paying dividends; and*
- (b) *the Issuer's dividend policy and, if a decision has been made to change the dividend policy, the intended change in dividend policy.*

The Company has not, since the date of its incorporation, declared or paid any dividends on its common shares. The Company intends to retain its earnings to finance growth and expand its operations and does not expect to pay any dividends in the foreseeable future. The Company does not currently have a policy with respect to the payment of dividends.

5.4 *Foreign GAAP — An Issuer may present the selected consolidated financial information required in this section on the basis of foreign GAAP if:*

- (a) *the Issuer's primary financial statements have been prepared using foreign GAAP; and*
- (b) *if the Issuer is required under applicable securities legislation to have reconciled its financial statements to Canadian GAAP at the time of filing its financial statements or the Issuer has otherwise done so, a cross reference to the notes to the financial statements containing the reconciliation of the financial statements to Canadian GAAP is included.*

This item is not applicable.

6. Management's Discussion and Analysis

**Annual MD&A**

**Annual MD&A – Legion Metals Corp.**

The following discussion and analysis of the financial condition and results of operations of Legion Metals Corp. for the fiscal year ended March 31, 2018 and compares these results to the previous fiscal year ended March 31, 2017. This MD&A should be read in conjunction with, the audited financial statements for the years ended March 31, 2018 and March 31, 2017. The financial

statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) in Canada. All monetary amounts in the MD&A are expressed in Canadian dollars, except per share amounts or as otherwise indicated.

## Overall Performance

The key factors pertaining to Legion’s overall performance for the period ended March 31, 2018 are as follows:

- Legion had working capital of \$182,086 as at March 31, 2018, as compared to working capital of \$108,946 as at March 31, 2017. The increase was mainly due to the closing of the Offering described above.
- Legion incurred a net loss of \$279,260 for the year ended March 31, 2018, as compared to a net loss of \$15,554 for the period from incorporation to March 31, 2017. The net loss is mostly attributable to expenses related to the Offering described above and write down of equipment in fiscal 2018.

## Selected Annual Information

The following table sets forth summary financial information for Legion for the year ended March 31, 2018 and the period from incorporation on December 8, 2016, to March 31, 2017. This information has been summarized from Legion’s audited financial statements for the same period and should only be read in conjunction with Legion’s audited financial statements, including the notes thereto, which are included in the Prospectus.

|   | March 31, 2018 | Period<br>Incorporation to March<br>31, 2017 |
|---|----------------|--|
| Mineral properties                              | \$150,000      | \$0  |
| Total assets                                    | \$491,738      | \$123,866                                    |
| Total revenues                                  | \$10,289       | \$0  |
| Long-term debt                                  | \$0            | \$0  |
| Property investigation fee                      | \$1,600        | \$2,500 <sup>(1)</sup>                       |
| General and administrative expenses             | \$120,305      | \$13,054                                     |
| Net loss  | \$279,260      | \$15,554                                     |
| Basic and diluted loss per share <sup>(2)</sup> | \$0.03         | \$0.28                                       |

(1) Total exploration expenditures on the Property by Beja Resources Inc. (“Beja”) were \$129,414.13. Legion acquired the rights to these exploration expenditures and exploration results under a property purchase agreement between Legion and Beja dated May 9, 2017 (the “Beja Agreement”). During the financial year ended March 31, 2017, Legion had property investigation expenditures of \$2,500.

(2) Based on weighted average number of common shares issued and outstanding for the period.

## Discussion of Operations

Legion incurred a net loss of \$279,260 for the year ended March 31, 2018, as compared to a net loss of \$15,554 for the period from incorporation to March 31, 2017. Total expenses for the year were \$271,905, of which \$74,435 was professional fees, \$38,374 was filing fees and \$7,496 was

general and administration, \$1,600 of expense related to the mineral property, \$7,000 in share-based compensation, and the remainder was \$143,000 which was a write down of equipment. Professional fees consist of legal, accounting and audit fees.

The Technical Report recommends that Legion conduct a two phase exploration program comprised of: phase one, consisting of rock sampling and exploration geochemistry; and phase two, if warranted by the results of phase one, consisting of diamond drilling. The estimated budget for phase one is \$102,050, and the estimated budget for phase two is \$111,125, for total recommended exploration expenditures of \$213,175.

Exploration conducted on the Property by Legion will partly depend on exploration activities conducted by Probe. Legion will strive to work in co-operation with Probe and compliment exploration efforts by Probe where practical. Moreover, in anticipation of becoming Probe's joint venture partner upon successful exercise of the option by Probe, Legion will attempt to be ready to match exploration spending with Probe if previous exploration results dictate that it is in the best interests of Legion to do so.

### Summary of Quarterly Results

The following financial data was derived from Legion's financial statements for each of Legion's four completed financial quarters:

|  | June<br>30, 2017 (\$) | September<br>30, 2017 (\$) | December<br>31, 2017 (\$) | March<br>31, 2018 (\$) |
|--|-----------------------|----------------------------|---------------------------|------------------------|
| Revenues   | Nil                   | Nil                        | Nil                       | 10,289                 |
| Net income (loss) before other income/ expenses                | (22,971)              | (43,840)                   | (21,023)                  | (48,426)               |
| Net income (loss) after other income / expenses                | (22,971)              | (43,840)                   | (21,023)                  | (191,426)              |
| Net Income (loss) per share – basic and diluted <sup>(1)</sup> | (0.00)                | (0.01)                     | (0.00)                    | (0.02)                 |
| Weighted average number of shares outstanding                  | 7,091,667             | 8,427,539                  | 11,764,600                | 12,685,948             |

- (1) Based upon the weighted average number of common shares issued and outstanding for the period. The 1,100,000 options outstanding are anti-dilutive.

|   | Period of<br>incorporation<br>to December<br><u>31, 2016 (\$)</u> | March<br><u>31, 2017 (\$)</u> |
|---|---|-------------------------------|
| Revenues  | Nil   | Nil                           |
| Net income (loss) before<br>other income/ expenses        | 0   | (15,554)                      |
| Net income (loss) after<br>other income / expenses        | 0   | (15,554)                      |
| Net Income (loss) per<br>share – basic and diluted<br>(2) | 0   | (0.28)                        |
| Weighted average number<br>of shares outstanding          | 0   | 55,088                        |

### Liquidity and Capital Resources

Legion is in the exploration and evaluation stage and has acquired assets for the purpose of generating digital assets. The company has not sold digital assets profitably yet, and therefore has no positive cash flow from operations. Its only source of funds since incorporation has been from the sale of common shares. From the date of incorporation on December 8, 2016, to March 31, 2018, it has raised \$525,960 from the sale of shares for cash through the issuance of 10,139,600 shares. Legion has also issued: 125,000 shares to Fred Bonner, Chief Geologist of Legion, as consideration for geological services provided pursuant to a consulting agreement; 1,500,000 shares to Beja Resources Inc. as consideration for the rights to the Millen Mountain Property and all information, data, records, exploration results and exploration expenditures with respect to the Property; and 1,000,000 shares and 400,000 stock options with a fair value of \$33,000 related to the acquisition of 12 crypto-currency mining computers.

As at March 31, 2018, current assets were \$209,692 (March 31, 2017 - \$123,866) and current liabilities were \$27,606 (March 31, 2017 - \$14,920), resulting in working capital of \$182,086 (March 31, 2017 - \$108,946), at that time. There are no known trends affecting liquidity or capital resources.

As at March 31, 2018, Legion had total assets of \$491,738 (March 31, 2017 - \$123,866) which are comprised of \$188,763 cash, \$10,237 restricted cash, \$10,692 receivables, \$150,000 of exploration and evaluation properties and \$132,046 of equipment.

Legion is in the process of exploring the Property and has not yet determined whether the Property contains mineral reserves that are economically recoverable. The recoverability of the amounts shown for resource properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of Legion to obtain necessary financing to complete the development of those reserves and upon future profitable production. If Probe successfully exercises its option under the Option Agreement and the joint venture is formed, Legion will be required to match exploration expenditures on the Property. Legion is not aware of any other material capital expenditures in the next 12 months.

While the information in this MD&A has been prepared in accordance with IFRS on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future, there are conditions and events that cast significant doubt on the validity of this presumption. Legion's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. While Legion is making its best efforts in this regard, the outcome of these matters cannot be predicted at this time.

### Exploration Expenditures

In 2012, Beja incurred the following exploration expenditures that were expensed as incurred in 2012:

| DESCRIPTION OF WORK                          | TOTAL               |
|--|---------------------|
| Geophysics survey                            | \$85,256.71         |
| Geophysics interpretation and report         | \$9,887.50          |
| Geological, supervision and field management | \$15,269.92         |
| Line cutting                                 | \$19,000.00         |
| <b>Total</b>                                 | <b>\$129,414.13</b> |

The above expenditures include all applicable taxes.

Under the Beja Agreement, Beja assigned its interest in the Property and all information, data, records, exploration results and exploration expenditures with respect to the Property to Legion in exchange for 1,500,000 common shares of Legion.

### Disclosure of Outstanding Security Data

As of March 31, 2018, Legion had the following securities issued and outstanding: 12,764,600 common shares; 1,100,000 stock options, 700,000 of which are exercisable for one common share of Legion for \$0.10 and 400,000 exercisable for one common share of Legion for \$0.11; and 392,710 agent's warrants, each exercisable for one share at a price of \$0.10 per share until September 14, 2019. Legion has no other securities issued or outstanding that are convertible into, or exercisable or exchangeable for, voting or equity securities of Legion.

### Off-Balance Sheet Arrangements

Legion does not have any off-balance sheet arrangements.

### Transactions Between Related Parties

During the year ended March 31, 2018, Legion paid or made provision for the future payment of the following amounts to related parties:

- Legion paid an aggregate of \$6,850 to the Chief Financial Officer of Legion for accounting services.
- Legion paid an aggregate of \$45,331 to Beadle Raven LLP., the law firm of the Corporate Secretary of Legion, for legal services.



- Legion paid \$7,000 in share-based compensation to directors, officers and advisors.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Licence was transferred to Legion from Rheingold Exploration Corp. (“**Rheingold**”) pursuant to a property transfer agreement dated April 5, 2017 between Legion and Rheingold (Rheingold held the Licence in trust for Beja). Paul Pedersen, a director and Chairman of Legion, is a director of Rheingold and was formerly President and Chief Executive Officer of Rheingold, and Fred Bonner, Legion’s Chief Geologist, is a director of Rheingold. Pursuant to the Beja Agreement, Legion agreed to issue 1,500,000 common shares of Legion to Beja as consideration for the rights to the Property and all information, data, records, exploration results and exploration expenditures with respect to the Property. Peter Smith, Paul Pedersen, Fred Bonner and Michael Raven, each a director and/or officer of Legion, are former directors and/or officers of Beja. Beja had previously been dissolved for failure to file annual reports with the British Columbia corporate registry. On May 8, 2017, Beja was restored for the purpose of transferring its rights to the Property to Legion. Beja’s restoration was a limited restoration, with an expiry date of June 9, 2017, when Beja was dissolved again. Prior to Beja’s dissolution, the 1,500,000 common shares of Legion that Beja received pursuant to the Beja Agreement were distributed pro rata to the shareholders of Beja, including Peter Smith (who received 57,000 Company shares), Paul Pedersen (who received 202,475 Company shares) and Michael Raven (who received 43,000 Company shares).

#### **Fourth Quarter**

During the Fourth Quarter ended March 31, 2018 Legion had the following results:

- Generated \$10,289 in revenue from the operation of 12 crypto currency mining rigs which were acquired during the period. Legion had cost of sales related to the digital assets sold of \$17,644 which included \$12,004 of depreciation.
- Total expenses of \$184,071 in the Fourth Quarter as compared total of expense of \$21,023 in the Third Quarter ended December 31, 2017.
- Total expense for the Fourth Quarter consisted of general and administration of \$3,419, filing fees of \$4,255, property investigation of \$1,600, professional fees of \$31,796 and equipment write down of \$143,000.

The operations of Legion for the Fourth Quarter resulted in a net loss of \$191,426 as compared to a net loss of \$21,023 the prior quarter. The total increase in expense and net loss was primarily a result of increased activity as it relates to crypto mining activities and corporate administration associated with Legion’s annual filings.

#### **Trends**

Management regularly monitors economic conditions and estimates their impact on Legion’s operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. Recently, equity markets in the junior resource sector, led by an increase in the price of gold, showed signs of improvement, with a number of financings being completed (as well as increases in merger and acquisition activity). Apart from these and the risk factors noted in this Listing Statement, management is not aware of any other trends, commitments, events or

uncertainties that would have a material effect on Legion's business, financial condition or results of operations.

## **Outlook**

Legion's priorities are to support Probe's exploration of the Property, where warranted and in the best interests of Legion. Legion will review the results of Probe's exploration program to determine whether further exploration of the Property by Legion or making participating exploration expenditures under the joint venture agreement, once the joint venture is formed, is warranted.

There are significant risks that might affect Legion's further development. These include but are not limited to: exploration programs that may not result in a commercial mining operation; negative cash flow from operations; Legion's ability to raise financing in the future for ongoing operations; market fluctuations in metal prices; government regulations; and other conditions that may be out of Legion's control. See "Risk Factors" below.

## **Critical Accounting Estimates**

Preparing financial statements requires management to make estimates and assumptions that affect the reported results. The estimates are based on historical experience and other assumptions believed to be reasonable under the circumstances. Critical accounting policies are disclosed in Legion's financial statements.

Critical accounting estimates, assumptions and judgments made by management that may result in material adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:

### Share-Based Payments

Legion records all share-based payments using the fair value method. Legion uses the Black-Scholes option pricing model to determine the fair value of the stock options and warrants. The fair value of the 700,000 options granted on May 1, 2017 was \$7,000. The fair value of the 400,000 options granted on January 8, 2018 was \$33,000. The main factors affecting the estimates of the fair value of these equity instruments are the expected life of the equity instruments, risk free interest rate, the stock price volatility used and the forfeiture rate for stock options. Legion currently estimates the expected volatility by using the average volatility of mature similar listed entities.

### Fair Value of Equipment

Legion is engaged in crypto currency mining, given the volatility of fair values in the underregulated crypto currency market, determining the fair value of the equipment used to generate crypto currency requires Management to estimate and use judgement.

### Digital assets

Digital assets consist of cryptocurrency denominated assets. Digital assets are recognized in accordance with IAS 2 as inventory measured at the lower of cost and net realizable value ("NRV"). The cost consists of direct costs attributable to mining the digital asset. Upon conversion

of digital assets for other currencies, proceeds are recognized as a sale for the period. As at this reporting date, there is no formal IFRS standard for digital assets; however, digital assets meet specific accounting criteria to be held as inventories.

The digital asset market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital assets would have an impact on Legion's earnings and financial position.

#### Recognition of digital asset sales

Legion recognizes sales in accordance with IAS 18, based on consideration received on digital asset inventory, which it receives from providing transaction verification services within digital currency networks. As consideration for these services, Legion receives digital assets from each specific network in which it participates ("coins") and the cost of mining these digital assets are recorded as inventory. A sale is recognized upon conversion of the digital asset to another currency such as cash.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the production and mining of digital currencies and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of revenue for mining of digital currencies. In the event authoritative guidance is enacted by the IASB, Legion may be required to change its policies which could result in a change in Legion's financial position and earnings.

#### **Changes in Accounting Policies Including Initial Adoption**

A detailed summary of all of Legion's significant accounting policies is included in Note 3 to the financial statements. Legion, in consultation with its auditor, periodically reviews accounting policy changes implemented within its industry.

#### **Financial Instruments and Other Instruments**

The carrying values of cash and cash equivalents and accounts payable approximate their fair values because of the short-term maturity of these financial instruments. Legion has no exposure to Asset Backed Commercial Paper.

Legion manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, Legion may attempt to issue new shares. Although Legion has been successful at raising funds in the past through the issuance of shares, it is uncertain as to whether it will be able to continue this form of financing due to uncertain economic conditions. There were no changes in Legion's approach to capital management during the year.

Legion is not subject to externally imposed capital requirements.

- Categories of financial instruments

|   | March<br>2018 | 31,<br>December 31,<br>2017 | September<br>30, 2017 | June 30, 2017 |
|---|---------------|-----------------------------|-----------------------|---------------|
| Financial assets at fair value through profit or loss |               |                             |                       |               |
| Cash and cash equivalents                             | \$188,763     | \$358,740                   | \$382,689             | \$103,502     |
| Restricted cash                                       | \$10,237      | -                           | -                     | -             |
| Other financial liabilities                           |               |                             |                       |               |
| Accounts payable and accrued liabilities              | \$27,606      | \$1,000                     | \$1,352               | \$21,027      |

The fair values of cash and cash equivalents and accounts payable and accrued liabilities approximate their carrying values due to the short term to maturities of these financial instruments.

Legion's financial instruments are exposed to certain financial risks, including market risk, credit risk and liquidity risk. Legion's exposure to these risks and its methods of managing the risks remain consistent.

- Market risk

Market risk is the risk that the fair value of, or future cash flows from, Legion's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign currency rates and other price risk.

- 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. Should the market interest rates increase/decrease by 1%, the impact on cash would be immaterial.

Legion monitors its exposure to interest rates and has not entered into any derivative financial instruments to manage this risk. Legion's exposure to interest rate risk is immaterial.

- Foreign currency risk

Legion is not exposed to foreign currency risk as all expenditures incurred by Legion are denominated in Canadian dollars.

- Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. Legion is not exposed to significant other price risk on its financial instruments.

- Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from Legion's cash. The carrying value of the financial assets represents the maximum credit exposure.

Credit risk is minimal as \$188,763 of cash is on deposit with a Canadian chartered bank. \$10,237 of cash is held by an unregulated exchange where funds are unsecured and may be subject to limitation in transfers.

- Liquidity risk

Liquidity risk is the risk that Legion will not be able to meet its financial obligations as they fall due. Legion has a planning and budgeting process in place to help determine the funds required to support Legion's normal operating requirements on an ongoing basis and its expansionary plans. Legion ensures there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Liquidity risk is minimal as Legion can satisfy its commitments for the coming year.

Legion has \$27,606 in accounts payable and accrued liabilities coming due within one year at March 31, 2018:

There were no changes in Legion's approach to financial risk management during the year.

## **Annual MD&A – Nextleaf Solutions Ltd.**

The following discussion and analysis of the financial condition and results of operations of Nextleaf Solutions Ltd. for the fiscal year ended September 30, 2018 and compares these results to the previous fiscal year ended September 30, 2017. This MD&A should be read in conjunction with, the audited financial statements for the years ended September 30, 2018 and September 30, 2017. The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) in Canada. All monetary amounts in the MD&A are expressed in Canadian dollars, except per share amounts or as otherwise indicated.

Nextleaf is a cannabis extraction technology company that holds multiple U.S. issued and pending patents for the process of producing cannabinoid distillate, the precursor of every cannabis infused product. Nextleaf’s mission is to develop and deploy large-scale cannabis and hemp extraction technologies and provide turn-key processing solutions to help licensed cultivators maximize the value of every harvest. Nextleaf delivers its proprietary technology at both its centralized processing facility in Coquitlam, British Columbia, and using its mobile extraction lab at licensed production facilities.

Nextleaf is currently building out its 6,540 square feet centralized processing facility in Coquitlam, British Columbia. The centralized processing facility is intended to be used to commercialize Nextleaf’s patented technology by offering large-scale cannabis distillation processing services to licensed cultivators and processors. Nextleaf also offers white label production of cannabis oil for its partners with branded products.

Nextleaf has designed and built a fully-capable mobile extraction lab, which allows licensed clients to produce high-quality distillate, minimizing capital expenditures and increasing speed to market. Nextleaf’s mobile extraction lab can process 20 kg of dried biomass into cannabis oil per hour, allowing the client to pay for processing as a service instead of tying up capital in under-utilized equipment that requires specialized expertise.

### ***Selected Annual Information***

| <b>Statement of Comprehensive Loss</b>       | <b>Year Ended September 30,</b> |             |
|--|---------------------------------|-------------|
|  | <b>2018</b>                     | <b>2017</b> |
|  | <b>\$</b>                       | <b>\$</b>   |
| Revenue                                      | 523,408                         | 119,760     |
| Cost of sales                                | 640,631                         | 267,001     |
| Expenses                                     | 2,086,895                       | 357,247     |
| Net loss                                     | (2,204,118)                     | (504,488)   |
| Total comprehensive loss                     | (2,204,118)                     | (504,488)   |
| Weighted average ordinary shares outstanding | 59,244,557                      | 33,656,825  |
| Loss per share                               | (0.04)                          | (0.01)      |

|  | <b>Year Ended September 30,</b> |
|--|---------------------------------|
|--|---------------------------------|

| <b>Statement of Financial Position</b> | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| Total assets                           | 2,037,801   | 2,008,232   |
| Working capital                        | 1,287,968   | 658,040     |
| Total liabilities                      | 749,833     | 144,143     |
| Long-term liabilities                  | -           | -           |
| Share capital and reserves             | 7,027,247   | 2,373,602   |
| Deficit                                | (2,713,631) | (509,513)   |

The focus of Nextleaf's operations during 2017 and 2018 was the development of its intellectual property and patents.

### **Results of Operations**

The following table sets out the statement of comprehensive loss for the years ended September 30, 2018 and September 30, 2017:

| <b>Statement of Comprehensive Loss</b> | <b>Year Ended September 30,</b> |                  |
|--|---------------------------------|------------------|
|  | <b>2018</b>                     | <b>2017</b>      |
|  | <b>\$</b>                       | <b>\$</b>        |
| <b>Revenue</b>                         | 523,408                         | 119,760          |
| <b>Cost of sales</b>                   | (640,631)                       | (267,001)        |
|  | <b>(117,223)</b>                | <b>(147,241)</b> |
| <b>Expenses</b>                        |                                 |                  |
| Sales and marketing                    | 199,881                         | 92,222           |
| Income from Government grants          | (8,855)                         |                  |
| General and administration             | 718,694                         | 34,003           |
| Share-based payments                   | 27,000                          | 0                |
| Professional fees and consulting       | 1,150,175                       | 231,022          |
|  | <b>2,086,895</b>                | <b>357,247</b>   |
| <b>Net loss</b>                        | <b>(2,204,118)</b>              | <b>(504,448)</b> |

#### *Revenues*

During the year ended September 30, 2018, Nextleaf generated \$396,172 from the rental of equipment and \$127,236 from the sale of equipment.

#### *Operating expenses*

Net loss for the year ended September 30, 2018 was \$2,204,118 (2017 - \$504,488), operating expenses were up over the prior year as a result of Nextleaf's research and development of its cannabis processing technology and acquiring equipment.

Sales and marketing of \$199,881 (2017 - \$92,222) increased over the prior year due to increased activity from the developing and promotion of Nextleaf.

General and administration of \$718,694 (2017 - \$34,003) increased as a result of increased business activity from increased staff.

Professional fees of \$1,150,175 (2017 - \$231,022) increased as a result of legal, consulting and legal fees related to the development of Nextleaf's intellectual property and general business activities.

*Loss per ordinary share*

The table below presents the basic and diluted loss per ordinary share for each of the comparative fiscal years ended September 30, 2018 and September 30, 2017.

|  | Year Ended September 30, |            |
|--|--------------------------|------------|
|  | 2018                     | 2017       |
|  | \$                       | \$         |
| Basic and diluted loss per ordinary share  | (0.04)                   | (0.03)     |
| Weighted average number of ordinary shares | 59,244,557               | 33,656,825 |

Due to a net loss from operations, financial instruments, including warrants and options, are anti-dilutive.

The following table sets out the statement of comprehensive loss for the three-month periods ended September 30, 2018 and September 30, 2017:

| Statement of Comprehensive Loss  | Three-Months Ended September 30, |                  |
|----------------------------------|----------------------------------|------------------|
|                                  | 2018                             | 2017             |
|                                  | \$                               | \$               |
| <b>Revenue</b>                   | 151,000                          | 119,760          |
| <b>Cost of sales</b>             | (178,370)                        | (240,245)        |
|                                  | <b>(27,370)</b>                  | <b>(120,485)</b> |
| <b>Expenses</b>                  |                                  |                  |
| Sales and marketing              | 60,986                           | 29,828           |
| General and administration       | 428,890                          | 33,672           |
| Professional fees and consulting | 436,107                          | 172,176          |
|                                  | <b>925,983</b>                   | <b>235,676</b>   |
| <b>Net loss</b>                  | <b>(953,353)</b>                 | <b>(356,161)</b> |

*Revenues*

Nextleaf generated \$151,000 (2017 - \$119,760) from the rental of equipment in the three months ended September 30, 2018.



### *Operating expenses*

Net loss for the three-months ended September 30, 2018 was \$925,983 (2017 - \$356,161), operating expenses were up over the prior year as a result of the company's research and development of its cannabis processing technology and acquiring equipment.

Sales and marketing of \$60,986 (2016 - \$29,828) increased over the prior period due to increased activity from the developing and promotion of the company.

General and administration of \$428,890 (2016 - \$33,672) increased as a result of increased business activity from increased staff.

Professional fees and consulting of \$436,107 (2016 - \$172,176) increased as a result of legal, consulting and legal fees related to the development of the company's intellectual property and general business activities.

### *Loss per ordinary share*

The table below presents the basic and diluted loss per ordinary share for each of the comparative three-months ended September 30, 2018 and September 30, 2017.

|  | Three-Months Ended September 30, |            |
|--|----------------------------------|------------|
|  | 2018                             | 2017       |
|  | \$                               | \$         |
| Basic and diluted loss per ordinary share  | (0.02)                           | (0.01)     |
| Weighted average number of ordinary shares | 59,244,557                       | 43,678,222 |

### *Liquidity*

Nextleaf's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund Nextleaf's operating and growth strategy.

As at September 30, 2018 Nextleaf had cash of \$837,604 (2017 - \$342,572) and working capital of \$1,287,968 (2017 - \$(658,040)). The increase in cash and working capital as compared to the prior year was primarily the result of the closing of equity financings throughout the year.

### *Share Capital*

As at September 30, 2018 Nextleaf had 78,693,391 ordinary shares outstanding.

On December 19, 2017, Nextleaf effected a 2.25 for 1 stock split of its ordinary shares. All ordinary share and per-share amounts for all periods presented in these financial statements have been adjusted retroactively to reflect the stock split.

### *Share capital issuances*

On October 31, 2017, Nextleaf closed a private placement for the issuance of 3,708,252 units at

a price of \$0.1111 per unit for gross proceeds of \$412,028. Each unit comprised of one common share and one common share purchase warrant exercisable at a price of \$0.2222 per common share until July 20, 2018. Related to this issuance, \$342,645 of subscriptions received in advance as at September 30, 2017, were reclassified to share capital.

On January 31, 2018, Nextleaf closed a private placement for the issuance of 4,500,000 shares at a price of \$0.1083 per share for gross proceeds of \$487,566. The Company also paid cash finders' fees of \$34,130.

On January 31, 2018, Nextleaf closed a private placement for the issuance of 3,775,144 shares at a price of \$0.1764 per share for gross proceeds of \$665,735. The Company also paid cash finders' fees of \$46,602.

On February 22, 2018, 150,000 shares were issued with a fair value of \$27,000 for services provided by a consultant and are recorded as share-based payment expense.

On March 1, 2018, 954,000 shares were issued at a price of \$0.1111 upon the exercise of finders' warrants. No proceeds were received as the exercise price was applied against the balance owed by Nextleaf to the warrant holder.

On March 1, 2018, 2,500,000 shares were issued at a value of \$450,000 for services provided related to share issuances within share issue costs, having a net \$Nil effect on share capital. Additionally, 750,000 finders' warrants exercisable at \$0.25 per share until March 1, 2019, were issued on this date to the service provider in relation to the equity financings that occurred during the year ended September 30, 2018. The finders' warrants were recorded at a fair value of \$37,500 as a share issue cost and within warrant reserve.

On June 18, 2018, 66,960 shares were issued at a price of \$0.1111 per share upon the exercise of finders' warrants for gross proceeds of \$7,440.

On August 17, 2018, 7,417,798 shares were issued at a price of \$0.2222 upon the exercise of finders' warrants for gross proceeds of \$1,648,235. Fees related to the share issue totaled \$77,823.

On September 28, 2018, upon the exercise of 7,658,933 share purchase warrants, 7,658,933 shares were issued at a price of \$0.2222 per share for gross proceeds of \$1,701,815.

On September 28, 2018, upon the exercise of 445,710 share purchase warrants, 445,710 shares were issued at a price of \$0.2222 per share. No proceeds were received as the exercise price was applied against the balance owed by Nextleaf to the warrant holders.

In connection with the share issuances during August and September 2018, \$855,768 of the gross proceeds were included within subscriptions receivable as at September 30, 2018. The amounts were collected in full subsequent to September 30, 2018.

#### *Outstanding options*

As at September 30, 2018 Nextleaf had nil (2017 – nil) stock options outstanding.

### *Outstanding warrants*

As at September 30, 2018, Nextleaf had 750,000 warrants outstanding. The following table summarizes the changes in warrants during the year:

|                             | <b>Number of<br/>warrants<br/>outstanding</b> | <b>Weighted<br/>average<br/>exercise<br/>price</b> |
|-----------------------------|---|--|
| Balance, September 30, 2017 | 16,103,799                                    | \$ -   |
| Issued – attached to units  | 3,708,252                                     | 0.22   |
| Issued – finders' warrants  | 750,000                                       | 0.25   |
| Exercised                   | (16,543,401)                                  | 0.22   |
| Expired                     | (3,268,650)                                   | 0.22   |
| Balance, September 30, 2018 | 750,000                                       | \$ 0.25  |

### *Off Balance Sheet Arrangements*

As of September 30, 2018, Nextleaf had no off-balance-sheet arrangements.

### *Related Party Transactions*

Nextleaf has determined that key management personnel consist of directors and officers. The remuneration to directors during the years ended September 30, 2018 and 2017 was \$330,264 and \$40,000, respectively.

As at September 30, 2018, a net amount of \$14,964 (2017 - \$68,523) is due from related parties. Amounts owed by Nextleaf to related parties are: \$50,477 due from Nextleaf for reimbursement of expenses to officers of Nextleaf; and \$2,462 due from Nextleaf under a promissory note owed to the CTO of Nextleaf which bears interest of 3% per annum. Amounts owed from related parties to Nextleaf are: \$75,000 due from a former director of Nextleaf; and \$25,000 due from the CTO of Nextleaf, both by way of promissory notes which bear interest at 3-6% per annum.

### **Changes in Accounting Policies**

#### *Accounting standards issued but not yet effective*

A number of new IFRS standards, amendments to standards and interpretations are not yet effective for the year ended September 30, 2018, and have not been applied in preparing these financial statements.

#### *IFRS 9 - Financial Instruments (“IFRS 9”)*

IFRS 9 is a new standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a

single, forward-looking “expected loss” impairment model. As most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, Nextleaf’s accounting policy with respect to financial liabilities is unchanged.

On adoption of IFRS 9, Nextleaf will classify its financial instruments in the following categories: at fair value through profit and loss (“**FVTPL**”), at fair value through other comprehensive income (“**FVTOCI**”) or at amortized cost. Nextleaf determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by Nextleaf’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL. For other equity instruments, on the day of acquisition Nextleaf can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or Nextleaf has opted to measure them at FVTPL.

Adoption of IFRS 9 is expected to increase the required disclosure for financial instruments.

|  | <i>Original classification IAS 39</i> | <i>New classification IFRS 9</i> |
|--|---------------------------------------|----------------------------------|
| <b>Financial assets</b>                  |                                       |                                  |
| Cash                                     | FVTPL                                 | FVTPL                            |
| Receivables                              | Loans and receivables                 | Amortized cost                   |
| Due from related parties                 | Loans and receivables                 | Amortized cost                   |
| <b>Financial liabilities</b>             |                                       |                                  |
| Accounts payable and accrued liabilities | Amortized cost                        | Amortized cost                   |

*IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)*

IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018. Adoption of this standard is not expected to have a significant impact on the financial statements.

*IFRS 16 – Leases (“IFRS 16”)*

IFRS 16, Leases, new standard contains a single lessee accounting model, eliminating the distinction between operating and financing leases from the perspective of the lessee. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements, effective for annual reporting periods beginning on or after January 1, 2019. Nextleaf is currently assessing the impact of this standard on the financial statements.

*IFRIC 23 - Uncertainty over Income Tax Treatments (“IFRIC 23”)*

IFRIC 23 clarifies the accounting for income tax treatments and is applicable for annual periods beginning on or after January 1, 2019.

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

### *Capital Management*

Nextleaf manages its capital to ensure that there are adequate capital resources to safeguard Nextleaf's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of shareholders' equity comprising of share capital, contributed surplus, warrants and deficit. The basis for Nextleaf's capital structure is dependent on Nextleaf's expected business growth and changes in business environment. In order to facilitate the management of capital, Nextleaf prepares annual expenditure budgets which are updated as necessary and are reviewed and periodically approved by Nextleaf's Board of Directors. To maintain or adjust the capital structure, Nextleaf may issue new shares through private placement, incur debt or return of capital to shareholders.

There have been no changes made to the capital management policy during the years ended September 30, 2018 and 2017.

### **Interim MD&A**

#### **Interim MD&A – Legion Metals Corp.**

The following discussion and analysis of the financial condition and results of operations of Legion for the nine month period ended December 31, 2018 should be read in conjunction with Legion's interim financial statements for the period ended December 31, 2018. Each set of financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### **Overall Performance**

The key factors pertaining to Legion's overall performance for the nine months ended December 31, 2018 are as follows:

- Legion had working capital of \$138,703 as at December 31, 2018, as compared to working capital of \$182,086 as at March 31, 2018. The decrease was mainly due to administrative expenses in the normal course of business.
- Legion incurred a net loss of \$175,429 for the nine months ended December 31, 2018, as compared to a net loss of \$87,834 for the nine months ended December 31, 2017.

### **Selected Annual Information**

The following table sets forth summary financial information for Legion for the financial years ended March 31, 2017 and March 31, 2018. This information has been summarized from Legion's audited financial statements for the same periods and should only be read in conjunction with Legion's audited financial statements, including the notes thereto.

|   | Period from<br>Incorporation to<br><u>March 31, 2017</u> | Year ended March<br>31, 2018 |
|---|--|------------------------------|
| Mineral properties                              | \$0  | \$150,000                    |
| Total assets                                    | \$123,866  | \$491,738                    |
| Total revenues                                  | \$0  | \$10,289                     |
| Long-term debt                                  | \$0  | \$0                          |
| Property investigation fee                      | \$2,500 <sup>(1)</sup>                                   | \$1,600                      |
| General and administrative expenses             | \$13,054   | \$7,496                      |
| Net loss  | \$15,554   | \$279,260                    |
| Basic and diluted loss per share <sup>(2)</sup> | \$0.28   | \$0.03                       |

(1) Total exploration expenditures on the Property by Beja Resources Inc. (“**Beja**”) were \$129,414. Legion acquired the rights to these exploration expenditures and exploration results under a property purchase agreement between Legion and Beja dated May 9, 2017 (the “**Beja Agreement**”). During the financial year ended March 31, 2017, Legion had property investigation expenditures of \$2,500.

(2) Based on weighted average number of common shares issued and outstanding for the period.

## Discussion of Operations

Legion incurred a net loss of \$175,429 for the nine months ended December 31, 2018, as compared to a net loss of \$279,260 for the year ended March 31, 2018. Total expenses for the nine month period were \$75,167, of which \$37,437 was professional fees, \$20,592 was filing fees and \$15,538 was general and administration. Professional fees consist of legal, accounting and audit fees.

The Technical Report recommends that Legion conduct a two phase exploration program comprised of: phase one, consisting of rock sampling and exploration geochemistry; and phase two, if warranted by the results of phase one, consisting of diamond drilling. The estimated budget for phase one is \$102,050, and the estimated budget for phase two is \$111,125, for total recommended exploration expenditures of \$213,175.

Exploration conducted on the Property by Legion will partly depend on exploration activities conducted by Probe. Legion will strive to work in co-operation with Probe and compliment exploration efforts by Probe where practical. Moreover, in anticipation of becoming Probe’s joint venture partner upon successful exercise of the option by Probe, Legion will attempt to be ready to match exploration spending with Probe if previous exploration results dictate that it is in the best interests of Legion to do so. As of December 31, 2018, Probe has confirmed that it has spent approximately \$250,000 in exploration expenditures on the Property.

## Summary of Quarterly Results

The following financial data was derived from Legion’s financial statements for each of Legion’s most recent eight completed financial quarters:

|   | March<br>31, 2018<br>(\$) | June<br>30, 2018<br>(\$) | September<br>30, 2018<br>(\$) | December<br>31, 2018<br>(\$) |
|---|---------------------------|--------------------------|-------------------------------|------------------------------|
| Revenues  | 10,289                    | 16,159                   | 5,337                         | Nil                          |
| Net income (loss) before<br>other income/ expenses                | (48,426)                  | (13,890)                 | (39,855)                      | (49,488)                     |
| Net income (loss) after other<br>income / expenses                | (191,426)                 | (18,996)                 | (39,855)                      | (116,579)                    |
| Net Income (loss) per share<br>– basic and diluted <sup>(1)</sup> | (0.02)                    | (0.00)                   | (0.00)                        | (0.01)                       |
| Weighted average number<br>of shares outstanding                  | 12,685,948                | 12,764,600               | 12,764,600                    | 12,764,600                   |

|   | March<br>31, 2017<br>(\$) | June<br>30, 2017<br>(\$) | September<br>30, 2017<br>(\$) | December<br>31, 2017<br>(\$) |
|---|---------------------------|--------------------------|-------------------------------|------------------------------|
| Revenues  | 10,289                    | Nil                      | Nil                           | Nil                          |
| Net income (loss) before<br>other income/ expenses                | (15,554)                  | (22,971)                 | (43,840)                      | (21,023)                     |
| Net income (loss) after other<br>income / expenses                | (15,554)                  | (22,971)                 | (43,840)                      | (21,023)                     |
| Net Income (loss) per share<br>– basic and diluted <sup>(1)</sup> | (0.28)                    | (0.00)                   | (0.01)                        | (0.00)                       |
| Weighted average number<br>of shares outstanding                  | (55,088)                  | 7,091,667                | 8,427,539                     | 11,764,600                   |

(1) Based upon the weighted average number of common shares issued and outstanding for the period. The 1,100,000 options outstanding are anti-dilutive.

### Liquidity and Capital Resources

Legion is in the exploration and evaluation stage and up to December 31, 2018 had acquired assets for the purpose of generating digital assets. During the nine months ended December 31, 2018, Legion disposed of all crypto currency assets. Legion has not sold digital assets profitably, and therefore had no positive cash flow from operations. Its only source of funds since incorporation has been from the sale of common shares. From the date of incorporation on December 8, 2016, to December 31, 2018, it has raised \$525,960 from the sale of shares for cash through the issuance of 10,139,600 shares. Legion has also issued: 125,000 shares to Fred Bonner, Chief Geologist of Legion, as consideration for geological services provided pursuant to a consulting agreement; 1,500,000 shares to Beja Resources Inc. as consideration for the rights to the Millen Mountain Property and all information, data, records, exploration results and exploration expenditures with respect to the Property; and 1,000,000 shares and 400,000 stock options with a fair value of \$33,000 related to the acquisition of 12 crypto-currency mining computers. In total, there are 12,764,600 shares outstanding as of December 31, 2018.

As at December 31, 2018, current assets were \$142,953 (March 31, 2018 - \$209,692) and current liabilities were \$4,250 (March 31, 2018 - \$27,606), resulting in working capital of \$138,703 (March

31, 2018 - \$182,086), at that time. There are no known trends affecting liquidity or capital resources.

As at December 31, 2018, Legion had total assets of \$292,953 (March 31, 2018 - \$491,738) which are comprised of \$84,585 cash, \$nil restricted cash, \$58,368 receivables, \$150,000 of exploration and evaluation properties and \$nil of equipment.

Legion is in the process of exploring the Property and has not yet determined whether the Property contains mineral reserves that are economically recoverable. The recoverability of the amounts shown for resource properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of Legion to obtain necessary financing to complete the development of those reserves and upon future profitable production. If Probe successfully exercises its option under the Option Agreement and the joint venture is formed, Legion will be required to match exploration expenditures on the Property. Legion is not aware of any other material capital expenditures in the next 12 months.

While the information in this MD&A has been prepared in accordance with IFRS on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future, there are conditions and events that cast significant doubt on the validity of this presumption. Legion's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. While Legion is making its best efforts in this regard, the outcome of these matters cannot be predicted at this time.

### Exploration Expenditures

In 2012, Beja incurred the following exploration expenditures that were expensed as incurred in 2012:

| DESCRIPTION OF WORK                          | TOTAL               |
|--|---------------------|
| Geophysics survey                            | \$85,256.71         |
| Geophysics interpretation and report         | \$9,887.50          |
| Geological, supervision and field management | \$15,269.92         |
| Line cutting                                 | \$19,000.00         |
| <b>Total</b>                                 | <b>\$129,414.13</b> |

The above expenditures include all applicable taxes.

Under the Beja Agreement, Beja assigned its interest in the Property and all information, data, records, exploration results and exploration expenditures with respect to the Property to Legion in exchange for 1,500,000 common shares of Legion.

### Disclosure of Outstanding Security Data

As of December 31, 2018, Legion has the following securities issued and outstanding: 12,764,600 common shares; 700,000 stock options, all of which are exercisable for one common share of Legion for \$0.10; and 392,710 agent's warrants, each exercisable for one share at a price of \$0.10



per share until September 14, 2019. Legion has no other securities issued or outstanding that are convertible into, or exercisable or exchangeable for, voting or equity securities of Legion.

### **Off-Balance Sheet Arrangements**

Legion does not have any off-balance sheet arrangements.

### **Transactions Between Related Parties**

During the nine-month period ended December 31, 2018, Legion paid or made provision for the future payment of the following amounts to related parties:

- Legion paid an aggregate of \$12,100 to the Chief Financial Officer of Legion for accounting services.
- Legion paid an aggregate of \$22,627 to Beadle Raven LLP, the law firm of the Corporate Secretary of Legion, for legal services.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Licence was transferred to Legion from Rheingold Exploration Corp. (“**Rheingold**”) pursuant to a property transfer agreement dated April 5, 2017 between Legion and Rheingold (Rheingold held the Licence in trust for Beja). Paul Pedersen, a director and Chairman of Legion, is a director of Rheingold and was formerly President and Chief Executive Officer of Rheingold, and Fred Bonner, Legion’s Chief Geologist, is a director of Rheingold. Pursuant to the Beja Agreement, Legion agreed to issue 1,500,000 common shares of Legion to Beja as consideration for the rights to the Property and all information, data, records, exploration results and exploration expenditures with respect to the Property. Peter Smith, Paul Pedersen, Fred Bonner and Michael Raven, each a director and/or officer of Legion, are former directors and/or officers of Beja. Beja had previously been dissolved for failure to file annual reports with the British Columbia corporate registry. On May 8, 2017, Beja was restored for the purpose of transferring its rights to the Property to Legion. Beja’s restoration was a limited restoration, with an expiry date of June 9, 2017, when Beja was dissolved again. Prior to Beja’s dissolution, the 1,500,000 common shares of Legion that Beja received pursuant to the Beja Agreement were distributed pro rata to the shareholders of Beja, including Peter Smith (who received 57,000 Company shares), Paul Pedersen (who received 202,475 Company shares) and Michael Raven (who received 43,000 Company shares).

### **Third Quarter (Three Months Ended December 31, 2018)**

During the Third Quarter ended December 31, 2018 Legion had the following results:

- Generated \$nil in revenue from the operation of 12 crypto currency mining rigs which were acquired during the year ended March 31, 2018 as assets were written off. During the nine months ended December 31, 2018, all restricted cash related to digital assets was written off due to uncertainty of any future economic benefits being realized. Legion additionally disposed of all computer equipment used to generate digital assets. Legion had cost of sales related to the digital assets written off of \$3,458.
- Total expenses of \$49,488 in the Third Quarter as compared total of expense of \$21,023 in the Third Quarter ended December 31, 2017.

- Total expense for the Third Quarter consisted of general and administration of \$20,677, filing fees of \$9,644, property investigation fees of \$1,600, and professional fees of \$17,567.

The operations of Legion for the Third Quarter resulted in a net loss of \$116,579 as compared to a net loss of \$39,855 the prior quarter. The total increase in expense and net loss was primarily a result of no revenue generated during the quarter and higher general and administrative charges for Legion as compared to the prior quarter.

## **Trends**

Management regularly monitors economic conditions and estimates their impact on Legion's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. Recently, equity markets in the junior resource sector, led by an increase in the price of gold, showed signs of improvement, with a number of financings being completed (as well as increases in merger and acquisition activity). Apart from these and the risk factors noted in this Listing Statement, management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on Legion's business, financial condition or results of operations.

## **Outlook**

Legion's priorities are to support Probe's exploration of the Property, where warranted and in the best interests of Legion. Legion will review the results of Probe's exploration program to determine whether further exploration of the Property by Legion or making participating exploration expenditures under the joint venture agreement, once the joint venture is formed, is warranted.

There are significant risks that might affect Legion's further development. These include but are not limited to: exploration programs that may not result in a commercial mining operation; negative cash flow from operations; Legion's ability to raise financing in the future for ongoing operations; market fluctuations in metal prices; government regulations; and other conditions that may be out of Legion's control.

## **Critical Accounting Estimates**

Preparing financial statements requires management to make estimates and assumptions that affect the reported results. The estimates are based on historical experience and other assumptions believed to be reasonable under the circumstances. Critical accounting policies are disclosed in Legion's financial statements.

Critical accounting estimates, assumptions and judgments made by management that may result in material adjustments to the carrying amounts of assets and liabilities within the next financial year are as follows:

### Share-Based Payments

Legion records all share-based payments using the fair value method. Legion uses the Black-Scholes option pricing model to determine the fair value of the stock options and warrants. The fair value of the 700,000 options granted on May 1, 2017 was \$7,000. The main factors affecting

the estimates of the fair value of these equity instruments are the expected life of the equity instruments, risk free interest rate, the stock price volatility used and the forfeiture rate for stock options. Legion currently estimates the expected volatility by using the average volatility of mature similar listed entities.

#### Fair Value of Equipment

Legion was engaged in crypto currency mining, given the volatility of fair values in the underregulated crypto currency market, determining the fair value of the equipment used to generate crypto currency requires Management to estimate and use judgement.

#### Digital assets

Digital assets consist of cryptocurrency denominated assets. Digital assets are recognized in accordance with IAS 2 as inventory measured at the lower of cost and net realizable value (“NRV”). The cost consists of direct costs attributable to mining the digital asset. Upon conversion of digital assets for other currencies, proceeds are recognized as a sale for the period. As at this reporting date, there is no formal IFRS standard for digital assets; however, digital assets meet specific accounting criteria to be held as inventories.

The digital asset market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital assets would have an impact on Legion’s earnings and financial position.

#### Recognition of digital asset sales

Legion recognizes sales in accordance with IAS 18, based on consideration received on digital asset inventory, which it receives from providing transaction verification services within digital currency networks. As consideration for these services, Legion receives digital assets from each specific network in which it participates (“coins”) and the cost of mining these digital assets are recorded as inventory. A sale is recognized upon conversion of the digital asset to another currency such as cash.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the production and mining of digital currencies and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of revenue for mining of digital currencies. In the event authoritative guidance is enacted by the IASB, Legion may be required to change its policies which could result in a change in Legion’s financial position and earnings.

During the nine months ended December 31, 2018, Legion wrote off all digital assets generated due to uncertainty in future economic benefits. Legion does not plan to generate any additional digital assets in the future as all crypto currency equipment was sold during the period.

#### **Changes in Accounting Policies Including Initial Adoption**

A detailed summary of all of Legion’s significant accounting policies is included in Note 3 and 4 to the financial statements. Legion, in consultation with its auditor, periodically reviews accounting policy changes implemented within its industry.

## Financial Instruments and Other Instruments

The carrying values of cash and cash equivalents and accounts payable approximate their fair values because of the short-term maturity of these financial instruments. Legion has no exposure to Asset Backed Commercial Paper.

Legion manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, Legion may attempt to issue new shares. Although Legion has been successful at raising funds in the past through the issuance of shares, it is uncertain as to whether it will be able to continue this form of financing due to uncertain economic conditions. There were no changes in Legion's approach to capital management during the year.

Legion is not subject to externally imposed capital requirements.

- Categories of financial instruments

|   | <b>December 31,<br/>2018</b> | <b>September<br/>30, 2018</b> | <b>June 30,<br/>2018</b> | <b>March 31,<br/>2018</b> |
|---|------------------------------|-------------------------------|--------------------------|---------------------------|
| Financial assets at fair value through profit or loss |                              |                               |                          |                           |
| Cash and cash equivalents                             | \$84,585                     | \$149,295                     | \$167,745                | \$188,763                 |
| Restricted cash                                       | \$Nil                        | \$8,716                       | \$26,315                 | \$10,237                  |
| Other financial liabilities                           |                              |                               |                          |                           |
| Accounts payable and accrued liabilities              | \$4,250                      | \$14,310                      | \$30,497                 | \$27,606                  |

The fair values of cash and cash equivalents and accounts payable and accrued liabilities approximate their carrying values due to the short term to maturities of these financial instruments.

Legion's financial instruments are exposed to certain financial risks, including market risk, credit risk and liquidity risk. Legion's exposure to these risks and its methods of managing the risks remain consistent.

- Market risk

Market risk is the risk that the fair value of, or future cash flows from, Legion's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign currency rates and other price risk.

- 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. Should the market interest rates increase/decrease by 1%, the impact on cash would be immaterial.

Legion monitors its exposure to interest rates and has not entered into any derivative financial instruments to manage this risk. Legion's exposure to interest rate risk is immaterial.

- Foreign currency risk

Legion is not exposed to foreign currency risk as all expenditures incurred by Legion are denominated in Canadian dollars.

- Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. Legion is not exposed to significant other price risk on its financial instruments.

- Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from Legion's cash. The carrying value of the financial assets represents the maximum credit exposure.

Credit risk is minimal as \$84,585 of cash is on deposit with a Canadian chartered bank.

- Liquidity risk

Liquidity risk is the risk that Legion will not be able to meet its financial obligations as they fall due. Legion has a planning and budgeting process in place to help determine the funds required to support Legion's normal operating requirements on an ongoing basis and its expansionary plans. Legion ensures there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Liquidity risk is minimal as Legion can satisfy its commitments for the coming year.

Legion has \$4,250 in accounts payable and accrued liabilities coming due within one year at December 31, 2018.

There were no changes in Legion's approach to financial risk management during the year.

## **Interim MD&A – Nextleaf Solutions Ltd.**

The following discussion and analysis of the financial condition and results of operations of Nextleaf Solutions Ltd. (“**Nextleaf**”) for the three month period ended December 31, 2018 should be read in conjunction with Nextleaf’s annual audited financial statements and related notes for the year ended September 30, 2018, and Nextleaf’s interim condensed financial statements for the period ended December 31, 2018. Each set of financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”). All monetary amounts in the MD&A are expressed in Canadian dollars, except per share amounts or as otherwise indicated. This MD&A is current as of March 11, 2019.

### **Overall Performance**

As at December 31, 2018, Nextleaf had no debt and was in a positive working capital position. Nextleaf’s focus for the three month period ended December 31, 2018, was the ongoing build out of its centralized processing facility in Coquitlam, BC, continued efforts towards obtaining a public listing, continued development of its patents, sales and marketing efforts, and continued pursuit of the appropriate licensing so to enable Nextleaf to commence commercial operations at its centralized processing facility.

Subsequent to December 31, 2018, Nextleaf issued units for cash. Refer to “Share Capital Information” section for details.

### **Results of Operations**

The variations from quarter to quarter over the previous eight financial quarters as shown below are largely attributable to variations in revenue and increased expenses correlating with increases in operating activity.

Nextleaf’s expenses primarily characterized by general and administrative activity, professional fees and consulting, and sales and marketing increased during the period ended December 31, 2018, relative to the comparative period ended December 31, 2017, as Nextleaf continues its research and development efforts relating to the development and build out of its centralized processing facility, seeks to attain a public listing, and has engaged in further marketing activity in relation to the general development, promotion, and expansion of its business. More specifically:

- General and administration of \$350,990 increased by approximately \$199,000 generally as a result of significantly greater business activity, with specific increases attributable to hiring key staff and incurring wages and salaries expense of \$134,492 (2017 - \$58,877), rent of \$31,968 (2017 - \$6,335), research expenses of \$55,256 (2017 - \$nil) and various other increases in expenses such as depreciation, foreign exchange, repairs and maintenance, and office;
- Professional fees of \$286,330 increased by approximately \$104,000 as a result of greater legal and consulting fees related to the development of Nextleaf’s business, its patent filings, and activities relating to seeking a public listing.

- Sales and marketing of \$111,072 increased by approximately \$92,000 due to increased promotional activity and investor relations.

## Summary of Quarterly Results

The following table shows results from the last eight quarters:

| Period Ending      | Revenue<br>\$ | Loss and<br>comprehensive loss<br>\$ | Basic and Diluted<br>Loss Per Share<br>\$ |
|--------------------|---------------|--------------------------------------|---|
| December 31, 2018  | -             | (732,121)                            | (0.01)                                    |
| September 30, 2018 | 182,000       | (769,437)                            | (0.01)                                    |
| June 30, 2018      | 90,172        | (428,424)                            | (0.01)                                    |
| March 31, 2018     | 221,002       | (614,305)                            | (0.01)                                    |
| December 31, 2017  | 30,234        | (391,952)                            | (0.01)                                    |
| September 30, 2017 | 119,760       | (356,162)                            | (0.01)                                    |
| June 30, 2017      | -             | (123,659)                            | (0.00)                                    |
| March 31, 2017     | -             | (24,667)                             | (0.00)                                    |

## Liquidity and Capital Resources

Nextleaf's objectives when managing its liquidity and capital structure are to support further advancement of Nextleaf's business objectives and existing service offerings, as well as to ensure that Nextleaf is able to meet its financial obligations as they come due.

### Cash and working capital

As at December 31, 2018 Nextleaf had cash of \$579,937 and working capital of approximately \$167,000.

### Cash flow activity

The decrease in cash and working capital as at December 31, 2018 compared to September 30, 2018, was driven by activity during the period ended December 31, 2018, which included approximately \$646,000 of cash used in operating activities, \$468,000 of cash used in investing activities which included the issuance of a promissory note, and purchases of equipment and leasehold improvements. These uses of cash were partially offset by the collection of subscriptions receivable in the amount of \$855,768.

## Share Capital Information

### Authorized

Unlimited number of common shares with no par value.

### Issued and Outstanding

As at the date of this MD&A, the total issued and outstanding share capital consists of 81,347,405 common shares (December 31, 2018 - 78,693,393) (September 30, 2018 – 78,693,393).

#### Issuances of shares for cash

Nextleaf did not issue any of common shares during the period ended December 31, 2018.

On February, 15, 2019, Nextleaf completed a brokered private placement equity financing of 2,654,014 units at a price of \$0.35 per unit for gross proceeds of \$928,905. Each unit consists of one common share and one common share purchase warrant of Nextleaf exercisable at \$0.70 per share until February, 15, 2021.

#### Warrants

At the date of this MD&A, Nextleaf had 2,654,014 warrants outstanding (December 31, 2018 – 750,000) (September 30, 2018 – 750,000).

There were no changes in the number of warrants outstanding during the period ended December 31, 2018.

| <b>Number of warrants outstanding</b> | <b>Weighted average exercise price</b> | <b>Expiry Dates</b> | <b>Weighted average remaining life (years)</b> |
|---------------------------------------|--|---------------------|--|
| 2,654,014                             | \$ 0.70                                | February 15, 2019   | 1.94   |

On March 1, 2019, 750,000 warrants with an exercise price of \$0.25 each, expired unexercised.

#### Stock options

As at the date of this MD&A, Nextleaf has Nil stock options outstanding (December 31, 2018 – Nil) (September 30, 2018 – Nil).

#### Off-Balance Sheet Arrangements

Nextleaf does not utilize off-balance-sheet arrangements.

#### Proposed Transactions

On November 29, 2018, Nextleaf entered into a binding and definitive Acquisition and Arrangement Agreement (the “Definitive Agreement”) which superseded a binding letter of intent (“LOI”) that Nextleaf entered into with Legion Metals Corp. (“Legion”), a publicly listed company on the Canadian Securities Exchange, during the year ended September 30, 2018. Pursuant to the Definitive Agreement, Legion will acquire all of the issued and outstanding common shares of Nextleaf, in a reverse takeover transaction by way of plan of arrangement (the “Transaction”). As a condition to closing the Transaction, Nextleaf will complete a private placement equity financing



(the “Private Placement”) for gross proceeds of a minimum of \$3,000,000, and maximum of \$7,000,000 (subject to an Over-Allotment Option).

On February 15, 2019, Nextleaf issued units for cash in connection with the Private Placement. Refer to “Share Capital Information” section for details.

### Transactions with Related Parties

The remuneration of key management for the periods ended December 31, 2018, and 2017 are as follows:

|                 | <b>2018</b> | <b>2017</b> |
|-----------------|-------------|-------------|
|                 | <b>\$</b>   | <b>\$</b>   |
| Consulting fees | 110,400     | 70,200      |

Consulting fees comprise amounts paid to the following individuals either directly, or to companies controlled by them for their services as executive officers and/or directors of Nextleaf:

- Paul Pedersen, CEO;
- Charles Ackerman, CFO;
- Ryan Ko, COO;

### Amounts due from (to) related parties

The following amounts are due from (to) related parties as at September 30, 2018 and 2017:

|   | <b>December 31, 2018</b> | <b>September 30, 2018</b> |
|---|--------------------------|---------------------------|
|   | <b>\$</b>                | <b>\$</b>                 |
| Accounts payable and accrued liabilities <sup>(1)</sup> | (175,243)                | (138,286)                 |
| Due from related parties <sup>(2) (4)</sup>             | 80,770                   | 102,773                   |
| Prepaid expenses <sup>(3)</sup>                         | 34,773                   | 50,477                    |

<sup>(1)</sup> Amounts due to Paul Pedersen, CEO, Charles Ackerman, CFO, and Ryan Ko, CTO, relating to consulting fees presented above.

<sup>(2)</sup> Amounts due from a former director.

<sup>(3)</sup> Expense advances to CTO.

<sup>(4)</sup> Interest income of \$1,270 (2017 - \$nil) on amounts included in due from related parties was recorded within general and administration during the period ended December 31, 2018.

### New Accounting Standards

New accounting policies

#### *IFRS 9 – Financial Instruments*

Nextleaf has adopted new accounting standard *IFRS 9 - Financial Instruments*, effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 9 did not result in any changes to the classification, measurement or carrying amounts of Nextleaf’s existing

financial instruments on transition date. Refer to Note 3 to the financial statements for further details.

#### *IFRS 15 – Revenues from contracts with customers*

Nextleaf has adopted new accounting standard *IFRS 15 – Revenues from contracts with customers*, effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 15 did not result in any changes to the report amounts of revenues for Nextleaf. Refer to Note 3 to the financial statements for further details.

#### Accounting standards issued but not yet effective

**IFRS 16: Leases.** A new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lease accounting model, effective for annual periods beginning on or after January 1, 2019. Nextleaf is currently assessing the impact of this standard on the lease of its centralized processing facility.

**IFRIC 23: Uncertainty over Income Tax Treatments.** The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Nextleaf has not yet determined the extent of the impact of adoption of the Interpretation.

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

### **Risks and Uncertainties**

Nextleaf operates in rapidly changing environment that involves risks and uncertainties and as a result management expectations may not be realized for a number of reasons. An investment in Nextleaf common shares is speculative and involves a high degree of risk and uncertainty. The current regulatory uncertainty poses additional risks and uncertainties which may materially affect management's expectations.

#### Regulatory Risks

The operations of Nextleaf will be subject to various laws governing the production and distribution of cannabis oil, taxes, labour standards and occupational health, toxic substances, land use, water use, and other matters.

The Cannabis Act is a new regime and as such, revisions to the regime could be implemented which could have an impact on operations.

Furthermore, although the operations of each of Nextleaf are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the ability to produce cannabis oil and related products. Amendments to

current laws and regulations governing the distribution, transportation and/or production of cannabis oil or related products, or more stringent implementation thereof could have a substantial adverse impact.

#### Ongoing Need for Financing

As Nextleaf will have limited revenue, its ability to continue operations will be largely reliant on its continued attractiveness to equity investors. Nextleaf is expected to incur operating losses as it continues to expend funds to develop its business operations. Even if its financial resources are sufficient to fund its current operations, there is no guarantee that Nextleaf will be able to achieve its business objectives. The continued development of Nextleaf following will require substantial additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the going out of business. The primary source of funding available to Nextleaf will consist of equity financing. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable. In addition, from time to time, Nextleaf may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase Nextleaf's debt levels above industry standards.

#### Requirement for License

These uncertainty around Nextleaf securing the necessary Health Canada Standard Processing License, failure to secure such a license could have a material adverse impact.

#### Competition

The marijuana production industry is competitive in all of its phases. Nextleaf will face strong competition from other companies in connection with such matters. Many of these companies have greater financial resources, operational experience and technical capabilities than Nextleaf. As a result of this competition, Nextleaf may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of Nextleaf could be materially adversely affected.

Because of early stage of the industry in which Nextleaf operates, Nextleaf may face additional competition from new entrants. If the number of users of marijuana in Canada increases, the demand for products will increase and expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, Nextleaf will require a continued high level of investment in research and development, marketing, sales and client support. Nextleaf may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations.

#### Financial Risk Management

Nextleaf's financial instruments consist of cash, receivables, due from related parties, subscriptions receivable, promissory note receivable, and accounts payable and accrued liabilities.

Nextleaf's financial instruments are exposed to varying levels and degrees of risk, including credit risk, liquidity risk, and market risk. Refer to Note 9 of the financial statements for further information.

### Critical Accounting Estimates and Financial Instruments

Nextleaf prepares its financial statements in conformity with IFRS. Nextleaf lists its critical estimates, judgments, significant accounting policies in Note 3, and its financial instruments in Note 9, to its annual audited financial statements for the year ended September 30, 2018. There were no changes to Nextleaf's critical estimates, judgments, during the period ended December 31, 2018. Effective October 1, 2018, Nextleaf adopted IFRS 9 and IFRS 15 as noted above. The details of Nextleaf's new accounting policy in connection with the adoption of IFRS 9, is disclosed in Note 3 to interim condensed unaudited financial statements for the period ended December 31, 2018.

#### 7. Market for Securities

7.1 *Identify the exchange(s) and quotation and trade reporting system(s) on which the Issuer's securities are listed and posted for trading or quoted.*

The Company's common shares are listed and posted for trading on the Canadian Securities Exchange under the symbol OILS.

#### 8. Consolidated Capitalization

8.1 *Describe any material change in, and the effect of the material change on, the share and loan capital of the Issuer, on a consolidated basis, since the date of the comparative financial statements for the Issuer's most recently completed financial year contained in the Listing Statement.*

The following table sets forth the consolidated capitalization of the Company as at the dates indicated. This table should be read in conjunction with the financial statements of the Company (including the notes thereto) contained in this Listing Statement.

| Description    | Outstanding as<br>at March 31,<br>2018 | Outstanding as<br>at the date of<br>this Listing<br>Statement |
|----------------|--|---|
| Common shares  | 12,764,600                             | 96,626,130  |
| Share capital  | \$698,045                              | \$12,713,035  |
| Long-term debt | Nil                                    | Nil   |

9. Options to Purchase Securities

9.1 *State, in tabular form, as at a specified date not more than 30 days before the date of the Listing Statement, information as to options to purchase securities of the Issuer or a subsidiary of the Issuer that are held by:*

- (a) all executive officers and past executive officers of the Issuer as a group and all directors and past directors of the Issuer who are not also executive officers as a group, indicating the aggregate number of executive officers and the aggregate number of directors to whom the information applies, without naming them;*
- (b) all executive officers and past executive officers of all subsidiaries of the Issuer as a group and all directors and past directors of those subsidiaries who are not also executive officers of the subsidiary as a group, in each case, without naming them and excluding individuals referred to in paragraph (a), indicating the aggregate number of executive officers and the aggregate number of directors to whom the information applies;*
- (c) all other employees and past employees of the Issuer as a group, without naming them;*
- (d) all other employees and past employees of subsidiaries of the Issuer as a group, without naming them;*
- (e) all consultants of the Issuer as a group, without naming them; and*
- (f) any other person or company, including the underwriter, naming each person or company.*

The Company has adopted a stock option plan (the “**Plan**”) which provides eligible directors, officers, employees and consultants with the opportunity to acquire an ownership interest in the Company and is the basis for the Company’s long-term incentive scheme. The key features of the Plan are as follows:

- The maximum number of common shares issuable under the Plan shall not exceed 20% of the number of common shares of the Company issued and outstanding as of each award date, inclusive of all common shares reserved for issuance pursuant to previously granted stock options.
- The options have a maximum term of five years from the date of issue.
- Options vest as the board of directors of the Company may determine upon the award of the options.
- The exercise price of options granted under the Plan will be determined by the board of directors, but will not be less than the greater of the closing market price of the Company’s common shares on the Exchange on (a) the trading day prior to the date of grant of the options; and (b) the date of grant of the stock options.

- The expiry date of an option shall be the earlier of the date fixed by the Company's board of directors on the award date, and: (a) in the event of the death of the option holder while he or she is a director or employee (other than an employee performing investor relations activities), 12 months from the date of death of the option holder, or while he or she is a consultant or an employee performing investor relations activities, 30 days from the date of death of the option holder; (b) in the event that the option holder holds his or her option as a director and such option holder ceases to be a director of the Company other than by reason of death, 90 days following the date the option holder ceases to be a director (provided however that if the option holder continues to be engaged by the Company as an employee or consultant, the expiry date shall remain unchanged), unless the option holder ceases to be a director as a result of ceasing to meet the qualifications set forth in section 124 of the *Business Corporations Act* (British Columbia) or a special resolution passed by the shareholders of the Company pursuant to section 128(3) of the *Business Corporations Act* (British Columbia), in which case the expiry date will be the date that the option holder ceases to be a director of the Company; (c) in the event that the option holder holds his or her option as an employee or consultant of the Company (other than an employee or consultant performing investor relations activities) and such option holder ceases to be an employee or consultant of the Company other than by reason of death, 30 days following the date the option holder ceases to be an employee or consultant, unless the option holder ceases to be such as a result of termination for cause or an order of the British Columbia Securities Commission, the Exchange or any regulatory body having jurisdiction to so order, in which case the expiry date shall be the date the option holder ceases to be an employee or consultant of the Company; and (d) in the event that the option holder holds his or her option as an employee or consultant of the Company who provides investor relations activities on behalf of the Company, and such option holder ceases to be an employee or consultant of the Company other than by reason of death, the expiry date shall be the date the option holder ceases to be an employee or consultant of the Company.

The Plan may be terminated at any time by resolution of the board of directors, but any such termination will not affect or prejudice rights of participants holding options at that time. If the Plan is terminated, outstanding options will continue to be governed by the provisions of the Plan.

As of the date of this Listing Statement, there are 14,100,000 stock options issued and outstanding, as follows:

| Name  | Number of<br>Common Shares<br>under Option | Exercise Price<br>per Common<br>Share | Expiry Date   |
|---|--|---------------------------------------|---|
| All Executive Officers and Past Executive Officers of the Company as a Group <sup>(1)</sup>                   | 9,694,286                                  | \$0.35                                | May 1, 2022 (as to 114,286 options); March 15, 2024 (as to 9,580,000 options) |
| All Directors and Past Directors of the Company Who Are Not Also Executive Officers as a Group <sup>(2)</sup> | 335,714                                    | \$0.35                                | May 1, 2022 (as to 85,714 options); March 15, 2024 (as to 250,000 options)    |
| All Consultants of the Company  | 4,070,000                                  | \$0.35                                | March 15, 2024  |
| <b>Total</b>  | <b><u>14,100,000</u></b>                   |                                       |   |

(1) This group represents six executive officers.

(2) This group represents four directors of the Company who are not also executive officers.

## 10. Description of the Securities

10.1 *General - State the description or the designation of each class of equity securities and describe all material attributes and characteristics, including:*

- a) *dividend rights;*
- b) *voting rights;*
- c) *rights upon dissolution or winding-up;*
- d) *pre-emptive rights;*
- e) *conversion or exchange rights;*
- f) *redemption, retraction, purchase for cancellation or surrender provisions,*
- g) *sinking or purchase fund provisions;*
- h) *provisions permitting or restricting the issuance of additional securities and any other material restrictions; and*
- i) *provisions requiring a securityholder to contribute additional capital.*

The authorized share capital of the Company consists of an unlimited number of common shares without par value. At the date of this Listing Statement, the Company has an aggregate of 96,626,130 fully paid common shares issued and outstanding.

The holders of the Company's common shares are entitled to:

- vote at all meetings of shareholders of the Company, except meetings at which only holders of a specified class of shares are entitled to vote;

- receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company (of which there are none as at the date of this Listing Statement), any dividends declared by the Company; and
- receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company, the remaining property of the Company upon the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary.

10.2 *Debt securities - If debt securities are being listed, describe all material attributes and characteristics of the indebtedness and the security, if any, for the debt, including:*

- (a) *provisions for interest rate, maturity and premium, if any;*
- (b) *conversion or exchange rights;*
- (c) *redemption, retraction, purchase for cancellation or surrender provisions,*
- (d) *sinking or purchase fund provisions;*
- (e) *the nature and priority of any security for the debt securities, briefly identifying the principal properties subject to lien or charge;*
- (f) *provisions permitting or restricting the issuance of additional securities, the incurring of additional indebtedness and other material negative covenants, including restrictions against payment of dividends and restrictions against giving security on the assets of the Issuer or its subsidiaries, and provisions as to the release or substitution of assets securing the debt securities;*
- (g) *the name of the trustee under any indenture relating to the Issuer and*
- (h) *any financial arrangements between the Issuer and any of its affiliates or among its affiliates that could affect the security for the indebtedness.*

This item is not applicable.

10.4 *Other securities - If securities other than equity securities or debt securities are being listed, describe fully the material attributes and characteristics of those securities.*

This item is not applicable.

10.5 *Modification of terms:*

- (a) *describe provisions about the modification, amendment or variation of any rights attached to the securities being listed; and*
- (b) *if the rights of holders of securities may be modified otherwise than in accordance with the provisions attached to the securities or the provisions of the governing statute relating to the securities, explain briefly.*



This item is not applicable.

10.6 *Other attributes:*

- (a) *if the rights attaching to the securities being listed are materially limited or qualified by the rights of any other class of securities, or if any other class of securities ranks ahead of or equally with the securities being listed, include information about the other securities that will enable investors to understand the rights attaching to the securities being listed; and*
- (b) *if securities of the class being listed may be partially redeemed or repurchased, state the manner of selecting the securities to be redeemed or repurchased.*

This item is not applicable.

10.7 *Prior Sales - State the prices at which securities of the same class as the securities to be listed have been sold within the 12 months before the date of the Listing Statement, or are to be sold, by the Issuer or any Related Person and the number of securities of the class sold or to be sold at each price.*

The following table summarizes the sales of common shares by the Company within the 12 months before the date of this Listing Statement.

| <u>Allotment Date</u>                                 | <u>Price per Share</u> | <u>No. of Shares</u>      | <u>Reason for Issuance</u>    |
|---|------------------------|---------------------------|-------------------------------|
| March 14, 2019  | \$0.35                 | 92,979,101 <sup>(1)</sup> | Consideration for Acquisition |
| <b>Total as at the date of this Listing Statement</b> |                        | <b>96,626,130</b>         |                               |

- (1) This number of shares includes an aggregate of 14,285,711 common shares that were issued in exchange for that same number of Nextleaf shares that were issued by Nextleaf in its private placement equity financing that preceded closing of the Acquisition.

10.8 *Stock Exchange Price:*

- a) *if shares of the same class as the shares to be listed were or are listed on a Canadian stock exchange or traded on a Canadian market, provide the price ranges and volume traded on the Canadian stock exchange or market on which the greatest volume of trading generally occurs;*
- b) *if shares of the same class as the shares to be listed were or are not listed on a Canadian stock exchange or traded on a Canadian market, provide the price ranges and volume traded on the foreign stock exchange or market on which the greatest volume of trading generally occurs; and*
- c) *information is to be provided on a monthly basis for each month or, if applicable, part month, of the current quarter and the immediately preceding quarter and on a quarterly basis for the next preceding seven quarters.*

The following table sets out the price ranges and volume traded on the CSE for the common shares of the Company on a monthly basis for each month or, if applicable, part month, of the current quarter and the immediately preceding quarter and on a quarterly basis for the next preceding quarters since the Company's common shares were first listed on the CSE:

| Period                                | High    | Low    | Volume  |
|---------------------------------------|---------|--------|---------|
| March 2019 <sup>(1)</sup>             | -       | -      | -       |
| February 2019 <sup>(1)</sup>          | -       | -      | -       |
| January 2019 <sup>(1)</sup>           | -       | -      | -       |
| December 2018 <sup>(1)</sup>          | -       | -      | -       |
| November 2018 <sup>(1)</sup>          | -       | -      | -       |
| October 2018 <sup>(1)</sup>           | -       | -      | -       |
| July to September 2018 <sup>(1)</sup> | \$0.17  | \$0.05 | 318,100 |
| April 2018 to June 2018               | \$0.13  | \$0.05 | 594,700 |
| January 2018 to March 2018            | \$0.21  | \$0.11 | 867,206 |
| July 2018                             | \$0.055 | \$0.05 | 96,000  |
| June 2018                             | \$0.11  | \$0.05 | 286,450 |
| May 2018                              | \$0.13  | \$0.11 | 105,250 |
| April 2018                            | \$0.13  | \$0.08 | 203,000 |
| October to December 2018              | \$0.11  | \$0.10 | 111,300 |
| July to September 2018 <sup>(2)</sup> | \$0.11  | \$0.10 | 122,000 |

Notes:

- (1) The Company's shares were halted on August 27, 2018, when the Acquisition was announced.  
(2) The Company's shares commenced trading on the CSE on September 18, 2017, so this period is from that date under September 30, 2017.

11. Escrowed Securities

11.1 *State as of a specified date within 30 days before the date of the Listing Statement, in substantially the following tabular form, the number of securities of each class of securities of the Issuer held, to the knowledge of the Issuer, in escrow (which, for the purposes of this Form includes any securities subject to a pooling agreement) and the percentage that number represents of the outstanding securities of that class. In a note to the table, disclose the name of the depository, if any, and the date of and conditions governing the release of the securities from escrow.*

The following Common Shares are held in escrow:

| Designation of class held in escrow | Number of securities held in escrow | Percentage of class |
|-------------------------------------|-------------------------------------|---------------------|
| Common Shares                       | 36,452,304 <sup>(1)(2)(3)(4)</sup>  | 37.73%              |

Notes:

- (1) 19,838,042 of the Common Shares are held by "Related Persons" of the Company and are subject to a three year escrow with releases as set out in National Policy 46-201 pursuant to the Nextleaf Escrow Agreement under which AST will act as depository. 15% of the 21,122,082 Common Shares subject to escrow will be released on the dates which are 6, 12, 18, 24, 30 and 36 months after the listing date of the Company's shares on the Exchange, or at any time prior thereto with the consent of the applicable regulatory authorities.
- (2) 417,143 of the Common Shares are held in escrow pursuant to the Legion Escrow Agreement under which AST acts as depository. 15% of the 417,143 Common Shares subject to escrow will be released on each of April 19, 2019, October 19, 2019, April 19, 2020 and October 19, 2020, or at any time prior thereto with the consent of the applicable regulatory authorities.
- (3) 15,946,362 of the Common Shares are held by certain shareholders of the Company who voluntarily entered into the Nextleaf Three Year Voluntary Escrow Agreement, under which AST will act as depository, and agreed to make their shares subject to a three year escrow with releases as set out in National Policy 46-201. 15% of the 12,461,726 Common Shares subject to escrow will be released on the dates which are 6, 12, 18, 24, 30 and 36 months after the listing date of the Company's shares on the Exchange, or at any time prior thereto with the consent of the Company.
- (4) 667,900 of the Common Shares are subject to the Nextleaf Five Month Voluntary Pooling Agreements between the Company and certain shareholders of the Company whereby the shareholders voluntarily agreed to a resale restriction period of five months from the date of issuance on March 14, 2019.

## 12. Principal Shareholders

- 12.1 (1) *Provide the following information for each principal shareholder of the Issuer as of a specified date not more than 30 days before the date of the Listing Statement:*
- (a) *Name;*
  - (b) *The number or amount of securities owned of the class to be listed;*
  - (c) *Whether the securities referred to in subsection 12(1)(b) are owned both of record and beneficially, of record only, or beneficially only; and*
  - (d) *The percentages of each class of securities known by the Issuer to be owned.*
- (2) *If the Issuer is requalifying following a fundamental change or has proposed an acquisition, amalgamation, merger, reorganization or arrangement, indicate, to the extent known, the holding of each person of company described in paragraph (1) that will exist after giving effect to the transaction.*
- (3) *If, to the knowledge of the Issuer, more than 10 per cent of any class of voting securities of the Issuer is held, or is to be held, subject to any voting trust or other similar agreement, disclose, to the extent known, the designation of the securities, the number or amount of the securities held or to be held subject to the agreement and the duration of the agreement. State the names and addresses of the voting trustees and outline briefly their voting rights and other powers under the agreement.*

- (4) *If, to the knowledge of the Issuer, any principal shareholder is an associate or affiliate of another person or company named as a principal shareholder, disclose, to the extent known, the material facts of the relationship, including any basis for influence over the Issuer held by the person or company other than the holding of voting securities of the Issuer.*
- (5) *In addition to the above, include in a footnote to the table, the required calculation(s) on a fully-diluted basis.*

To the knowledge of the directors and senior officers of the Company, no person or company, as at the date of this Listing Statement, beneficially owns, directly or indirectly, or exercises control or direction over common shares of the Company carrying more than 10% of the outstanding voting rights attached to the Company's common shares.

### 13 Directors and Officers

- 13.1 *List the name and municipality of residence of each director and executive officer of the Issuer and indicate their respective positions and offices held with the Issuer and their respective principal occupations within the five preceding years.*

Details regarding the directors and officers of the Company as at the date of this Listing Statement are as follows:

| Name, Municipality of Residence, Position with the Issuer and Date First Appointed <sup>(1)</sup>                      | Principal Occupation During Last Five Years   | Number of common shares held in the Issuer <sup>(2)</sup> | Percentage of Class Held or Controlled <sup>(2)</sup> |
|--|---|---|---|
| Paul Pedersen <sup>(3)</sup><br>Vancouver, BC<br><i>President, Chief Executive Officer and Director</i><br>May 1, 2016 | President and Chief Executive Officer of Nextleaf since May 1, 2016; President and Chief Executive Officer of Rheingold Exploration Corp., a mineral exploration company, from July 2010 to June 2017; President of Greywood Partners, a consulting company, since November 2013.   | 7,372,657   | 7.63%   |
| Charles Ackermann<br>Halifax, NS<br><i>Chief Financial Officer, Corporate Secretary and Director</i><br>March 3, 2017  | CFO of Nextleaf since May 2018; CFO of Radial Research Corp., a technology company that develops online and download technologies and services, since March 2018; President and CEO of Novillo Capital Limited, a consulting company, since September 2017; CFO of Legion since March 2017; Manager of Mergers and Acquisitions at Iona Resources Holdings Limited, an investment company, from August 2015 to September 2017; accountant at Grant Thornton LLP, an accounting firm, from January 2015 to August 2015; accountant at AC HTBA LLP from April 2012 to January 2015. | 405,900   | 0.42%   |
| Ryan Ko<br>Coquitlam, BC<br><i>Chief Technology Officer</i><br>September 27, 2018                                      | Vice President – Operations of Nextleaf from January 2017 to June 2017; Chief Technology Officer of Nextleaf since September 27, 2018; from 2002, consultant respecting MMAR licensed production, developing and implementing R&D and intellectual property.  | 8,445,311   | 8.74%   |
| Paul MacLeman <sup>(3)</sup><br>Loch, Australia<br><i>Director</i> <sup>(2)</sup><br>January 2, 2019                   | Executive Director of AusCann, an Australian medicinal cannabis company, since 2018; Managing Director of IDT Australia Ltd., an Australian pharmaceutical company, from 2013 to 2017; CEO of Genetic Technologies Ltd., a molecular diagnostics company, from 2009 to 2013.  | 0   | 0%  |
| Fred Bonner <sup>(3)</sup><br>Halifax, NS<br><i>Director</i> <sup>(2)</sup><br>January 2, 2019                         | Chief Geologist of Legion Metals Corp. since March 2017; independent consultant through Eduterra Consulting since February 2015; President of TBL Resource Solutions Inc. from November 2010 to June 2015; VP of Silvore Fox Minerals Corp. from 2008 to 2010.  | 60,714  | 0.06%   |

**Notes:**

- (1) Date first appointed refers to date first appointed to position with Nextleaf.
- (2) Assumes no exercise of outstanding share purchase warrants. Includes shares held directly and indirectly.
- (3) Member of Audit Committee.

## *Management*

Below is a brief description of the key management of the Company.

Paul Pedersen — President, CEO, Director (Age: 38)

Mr. Pedersen has over twelve years of experience starting and growing emerging high-growth companies. Since 2013, Paul has been focused on Canada's emerging cannabis industry, consulting for a variety of cannabis companies and investors and is regularly quoted by industry trade publications MJBiz and Lift. He has founded several startups, including a media company acquired in 2007 by Towerstream Corporation (NASDAQ: TWER), and mineral exploration companies that became YDreams Interactive Technologies (TSXV:YD) and International Battery Metals (CSE: IBAT).

In 2013, Mr. Pedersen launched Greywood Partners Ltd., a corporate finance advisory firm that specializes in equity financings, acquisitions, divestitures, and minority and majority share sales. Paul was one of the first professional advisers in Canada to develop a focus on the cannabis industry. He has advised a variety of cannabis industry participants, including licensed producers, processors, retailers, seed-to-sale software, and investors.

Mr. Pedersen holds an MBA in Finance from the Eli Broad Graduate School of Management at Michigan State University where he served as a Fellow at the Center for Venture Capital Private Equity and Entrepreneurial Finance – and a Bachelor of Commerce Degree from the Sobey School of Business at Saint Mary's University. He is expected to spend 100% of his available time on the affairs of the Company.

Charles Ackerman – CFO, Director (Age: 28)

Mr. Ackerman has extensive experience in corporate finance and financial reporting for high growth companies. He has successfully lead mergers and acquisitions, divestitures and private and public capital raises. He has served in a number of finance and corporate leadership roles developing and executing growth strategies, with private and public companies and family offices across Canada.

He has worked as the CFO of Legion since March of 2017. He worked previously with Iona Resources Holdings in Dartmouth, Nova Scotia from 2015 to the present date.

Previously he worked as an accountant with Grant Thornton LLP in Halifax, Nova Scotia as an accountant during 2015. Before this he worked with AC HTBA LLP in Dartmouth, Nova Scotia as an accountant from 2012 to 2015. He is expected to spend 70% of his available time on the affairs of the Company.

Ryan Ko — Chief Technology Officer (Age: 34)

Mr. Ko has 15 years of operational experience in the medical cannabis industry from the management of large scale MMAR licensed production facilities. Ryan brings instrumental intellectual property and extraction expertise, key to the development of Nextleaf's business model and value proposition. He is expected to spend 100% of his available time on the affairs of the Company.

Paul MacLeman — Director (Age: 52)

Mr. MacLeman is from Loch, Victoria, Australia. He is a science-based professional with not-for-profit, public and private company experience in non-executive chairman, non-executive director, managing director, CEO, senior management and state/federal policy advisory roles. His professional experience spans animal health & welfare, pharmaceuticals, medtech and agriculture. He has life science, business and risk management qualifications and experience, with a track record creating, funding, structuring and re-structuring new and existing global human and animal health businesses.

From 2013 to 2017 Mr. MacLeman was the Managing Director, IDT Australia Ltd (publicly listed ASX:IDT). He was involved in the acquisition and deployment of specialty generic pharmaceutical portfolio. He also undertook senior management and science oversight of generic pharmaceuticals, contract drug manufacture and clinical trial services. Previous to this, from 2009 to 2013 he was the Chief Executive Officer, Genetic Technologies Ltd (dual listed ASX:GTG, NASDAQ OM:GENE) where he managed the overall business operations of the firm. His education background was that in 2006 he earned his Graduate Diploma Technology Management (Risk Management) from Swinburne University of Technology. He has earned his Graduate Diploma, Australian Institute of Company Directors, Australian Institute of Company Directors in 2004. He completed his Master of Business Administration in 1998. He attended Macquarie Graduate School of Management (MGSM) and obtained his Graduate Certificate of Engineering (Process Design & Control) in 1995. He also attended the University of Wollongong where he earned his Bachelor of Veterinary Science in 1994 and attended the University of Sydney. He also received an academic award in 1997 from Strickland Memorial Prize for Excellence in Management Thought, MGSM. He is expected to spend 25% of his available time on the affairs of the Company.

Fred Bonner — Director (Age: 57)

Fred received an Honours Geology from St. Mary's University in Halifax and Masters' Degrees in Applied Science and Urban and Rural Planning from Dalhousie University, Halifax. Fred is professional geologist, a Fellow of Geoscientists Canada and a Fellow of the Society of Economic Geologists. He worked in the Nova Scotia government for 22 years where he initiated projects in environmental geology, land reclamation and public safety. He also worked with numerous communities to manage risks to their drinking water supplies. Fred left government in 2007 to become vice-president of Silvore Fox Minerals Corp. (formerly TSXV: SFX). In 2010 Fred entered the consulting field where he focused on environmental management, corporate social responsibility and community engagement. He is also the Director of Sustainability & Community Affairs for XT Energy Group (a Canadian carbon capture/renewable energy company) and Chief Geologist with Legion Metals Corp. (CNSX: LEGN). Fred sat on the BOD of Rheingold Exploration Corp., which became International Battery Metals Ltd. (CNSX: IBAT), from 2012 – 2017.

Fred is a past president and council member of the Association of Professional Geoscientists of Nova Scotia. He is a former member of the BOD of the Canadian Land Reclamation Association (CLRA). He is the founding President of CLRA Atlantic and created the Atlantic Reclamation Conference series in 2008. He is a co-founder and BOD member of the non-profit, Rural Water Watch Association, an Industry Advisor for Saint Mary's University's, Society of Economic Geologists Student Chapter and is an environmental advisor with the Environmental Noxiousness, Racial Inequities & Community Health (ENRICH) Project at Dalhousie University. He is expected to spend 25% of his available time on the affairs of the Company.

### *Term of Directorship*

Directors of the Company are elected at each annual general meeting and will hold office until the next annual general meeting or until their successors are appointed.

13.2 *State the period or periods during which each director has served as a director and when his or her term of office will expire.*

See item 13.1 above.

13.3 *State the number and percentage of securities of each class of voting securities of the Issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control or direction is exercised by all directors and executive officers of the Issuer as a group.*

As of the date of this Listing Statement, the directors and executive officers of the Company, as a group beneficially owned, directly or indirectly, or exercised control or direction over 16,284,582 (16.85%) of the Common Shares of the Company.

13.4 *Disclose the board committees of the Issuer and identify the members of each committee.*

The Audit Committee is comprised of Paul Pedersen, Paul MacLeman and Fred Bonner. Each of Mr. MacLeman and Mr. Bonner is “independent” as defined in National Instrument 52-110 – Audit Committees, while Mr. Pedersen is not independent as he is the Company’s CEO. Each of the members of the Audit Committee is “financially literate”, as defined in National Instrument 52-110 – Audit Committees.

| <b>Member of Audit Committee</b> | <b>Independent</b> | <b>Financially Literate</b> |
|----------------------------------|--------------------|-----------------------------|
| Paul Pedersen                    | No (Company’s CEO) | Yes                         |
| Fred Bonner                      | Yes                | Yes                         |
| Paul MacLeman                    | Yes                | Yes                         |

There are no other committees of the Board.

13.5 *If the principal occupation of a director or officer of the Issuer is acting as an officer of a person or company other than the Issuer, disclose the fact and state the principal business of the person or company.*

No director or executive officer of the Company is, as at the date of this Listing Statement, or was within 10 years before the date of this Listing Statement, a director, chief executive officer or chief financial officer of any company (including the Company), that:

- (a) other than as described below, was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or



- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of the above paragraph, “order” means a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

Other than as disclosed below, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this Listing Statement, or has been within the 10 years before the date of this Listing Statement, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

13.6 *Disclose if a director or officer of the Issuer or a shareholder holding a sufficient number of securities of the Issuer to affect materially the control of the Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other Issuer that, while that person was acting in that capacity:*

- (a) *was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect;*
- (b) *was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any*

*exemption under securities legislation, for a period of more than 30 consecutive days, state the fact and describe the basis on which the order was made and whether the order is still in effect;*

- (c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or*
- (d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact.*

This item is not applicable.

*13.7 Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, has:*

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or*
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.*

This item is not applicable.

*13.8 Despite section 13.7, no disclosure is required of a settlement agreement entered into before December 31, 2000 unless the disclosure would likely be important to a reasonable investor in making an investment decision.*

This item is not applicable.

*13.9 If a director or officer of the Issuer, or a shareholder holding sufficient securities of the Issuer to affect materially the control of the Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer, state the fact.*

This item is not applicable.

13.10 *Disclose particulars of existing or potential material conflicts of interest between the Issuer or a subsidiary of the Issuer and a director or officer of the Issuer or a subsidiary of the Issuer.*

The Company's directors are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests that they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. To the best of our knowledge, and other than as disclosed in the following paragraph, there are no known existing or potential conflicts of interest among the Company, the Company's directors and officers or other members of management or of any proposed promoter, director, officer or other member of management as a result of their outside business interests.

Certain of the directors and officers currently serve as directors and officers of other private and public companies (including resource exploration companies). Some of the directors and officers are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other corporations (including resource exploration properties), and situations may arise where these directors and officers may be serving another corporation with interests that are in direct competition with the Company. In the event of any conflicts of interest, such conflicts must be disclosed to the Company and dealt with in accordance with the provisions of the *Business Corporations Act* (British Columbia).

13.11 *Management — In addition to the above provide the following information for each member of management:*

- (a) *state the individual's name, age, position and responsibilities with the Issuer and relevant educational background;*
- (b) *state whether the individual works full time for the Issuer or what proportion of the individual's time will be devoted to the Issuer;*
- (c) *state whether the individual is an employee or independent contractor of the Issuer;*
- (d) *state the individual's principal occupations or employment during the five years prior to the date of the Listing Statement, disclosing with respect to each organization as of the time such occupation or employment was carried on:*
  - (i) *its name and principal business,*
  - (ii) *if applicable, that the organization was an affiliate of the Issuer,*
  - (iii) *positions held by the individual, and*
  - (iv) *whether it is still carrying on business, if known to the individual;*
- (e) *describe the individual's experience in the Issuer's industry; and*
- (f) *state whether the individual has entered into a non-competition or non-disclosure agreement with the Issuer.*

See item 13.1 above for biographies of all directors and executive officers of the Company.

The directors of the Company are presently directors of other reporting issuers, as follows:

| <u>Director</u>  | <u>Other Issuers</u>        |
|------------------|-----------------------------|
| Paul Pedersen    | None                        |
| Charles Ackerman | Radial Research Corp. (CSE) |
| Fred Bonner      | None                        |
| Paul MacLeman    | AdAlta Ltd. (ASX)           |

#### 14. Capitalization

14.1 Prepare and file the following chart for each class of securities to be listed:

##### **Issued Capital**

|  | <b>Number of Securities (non-diluted)</b> | <b>Number of Securities (fully-diluted)</b> | <b>% of Issued (non-diluted)</b> | <b>% of Issued (fully diluted)</b> |
|--|---|---|----------------------------------|------------------------------------|
| <u>Public Float</u>  |   |   |                                  |                                    |
| Total outstanding (A)  | 96,626,130                                | 125,693,490                                 | 100                              | 100                                |
| Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B) | 19,838,042                                | 33,795,185                                  | 20.53                            | 26.89                              |
| Total Public Float (A-B)   | 76,788,088                                | 91,898,305                                  | 79.47                            | 73.11                              |
| <u>Freely-Tradeable Float</u>  |   |   |                                  |                                    |
| Number of outstanding securities subject to resale restrictions, including   | 36,452,304                                | 36,452,304                                  | 37.73                            | 29.00                              |

restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)

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|                             |            |            |       |       |
|-----------------------------|------------|------------|-------|-------|
| Total Tradeable Float (A-C) | 60,173,826 | 89,241,186 | 62.27 | 71.00 |
|-----------------------------|------------|------------|-------|-------|

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#### Public Securityholders (Registered)

**Instruction:** For the purposes of this report, "public securityholders" are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

#### **Class of Security**

| <u>Size of Holding</u>   | <u>Number of holders</u> | <u>Total number of securities</u> |
|--------------------------|--------------------------|-----------------------------------|
| 1 – 99 securities        | 0                        | 0                                 |
| 100 – 499 securities     | 0                        | 0                                 |
| 500 – 999 securities     | 0                        | 0                                 |
| 1,000 – 1,999 securities | 1                        | 1,650                             |
| 2,000 – 2,999 securities | 0                        | 0                                 |
| 3,000 – 3,999 securities | 2                        | 6,600                             |
| 4,000 – 4,999 securities | 0                        | 0                                 |
| 5,000 or more securities | 192                      | 76,779,838                        |

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#### Public Securityholders (Beneficial)

**Instruction:** Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

**Class of Security**

| <b><u>Size of Holding</u></b> | <b><u>Number of holders</u></b> | <b><u>Total number of securities</u></b> |
|-------------------------------|---------------------------------|--|
| 1 – 99 securities             | <u>0</u>                        | <u>0</u>                                 |
| 100 – 499 securities          | <u>3</u>                        | <u>614</u>                               |
| 500 – 999 securities          | <u>3</u>                        | <u>2,571</u>                             |
| 1,000 – 1,999 securities      | <u>5</u>                        | <u>7,080</u>                             |
| 2,000 – 2,999 securities      | <u>16</u>                       | <u>45,712</u>                            |
| 3,000 – 3,999 securities      | <u>3</u>                        | <u>10,171</u>                            |
| 4,000 – 4,999 securities      | <u>3</u>                        | <u>13,072</u>                            |
| 5,000 or more securities      | <u>281</u>                      | <u>76,708,868</u>                        |
| Unable to confirm             | <u>0</u>                        | <u>0</u>                                 |

**Non-Public Securityholders (Registered)**

**Instruction:** For the purposes of this report, "non-public securityholders" are persons enumerated in section (B) of the issued capital chart.

**Class of Security**

| <b><u>Size of Holding</u></b> | <b><u>Number of holders</u></b> | <b><u>Total number of securities</u></b> |
|-------------------------------|---------------------------------|--|
| 1 – 99 securities             | <u>0</u>                        | <u>0</u>                                 |
| 100 – 499 securities          | <u>0</u>                        | <u>0</u>                                 |
| 500 – 999 securities          | <u>0</u>                        | <u>0</u>                                 |
| 1,000 – 1,999 securities      | <u>0</u>                        | <u>0</u>                                 |
| 2,000 – 2,999 securities      | <u>0</u>                        | <u>0</u>                                 |
| 3,000 – 3,999 securities      | <u>0</u>                        | <u>0</u>                                 |
| 4,000 – 4,999 securities      | <u>0</u>                        | <u>0</u>                                 |
| 5,000 or more securities      | <u>8</u>                        | <u>19,838,042</u>                        |

14.2 *Provide the following details for any securities convertible or exchangeable into any class of listed securities*

| Description of Security (include conversion / exercise terms, including conversion / exercise price)  | Number of convertible / exchangeable securities outstanding | Number of listed securities issuable upon conversion / exercise |
|---|---|---|
| Stock options (each exercisable for one common share at \$0.35 per share until May 1, 2022)   | 200,000   | 200,000   |
| Stock options (each exercisable for one common share at \$0.35 per share until March 15, 2024)  | 13,900,000  | 13,900,000  |
| Agent's warrants (each exercisable for one common share at \$0.35 per share until September 14, 2019)   | 112,203   | 112,203   |
| Share purchase warrants (each exercisable for one common share at \$0.70 per share until March 14, 2021, subject to acceleration as described under "4.1 – Narrative Description of the Business," above. | 14,285,711  | 14,285,711  |
| Agent's warrants (each exercisable for one common share at \$0.35 per share until March 14, 2021)   | 569,446   | 569,446   |

14.3 *Provide details of any listed securities reserved for issuance that are not included in section 14.2.*

This item is not applicable.

15. Executive Compensation

15.1 *Attach a Statement of Executive Compensation from Form 51-102F6 or any successor instrument and describe any intention to make any material changes to that compensation.*

For the purposes of this item, "Named Executive Officers" means the Chief Executive Officer and Chief Financial Officer of the Company. Peter Smith was the President and Chief Executive Officer of the Company of Legion from March 31, 2017 to March 14, 2019, the closing date of the Acquisition, and Paul Pedersen was appointed President and Chief Executive Officer of the

Company on March 14, 2019, the closing date of the Acquisition. Charles Ackerman has been the Chief Financial Officer of the Company since March 31, 2017.

## STATEMENT OF EXECUTIVE COMPENSATION

The Company is a venture issuer and is disclosing the compensation of its directors and named executive officers in accordance with Form 51-102F6V *Statement of Executive Compensation – Venture Issuers*.

### Director and Named Executive Officer Compensation, excluding Compensation Securities

The following table provides information regarding compensation paid, payable, awarded to, or earned by Legion’s Chief Executive Officer and Chief Financial Officer, (together, the “**Named Executive Officers**”) and any director who is not a Named Executive Officer for the financial years ended March 31, 2018 and 2017. There were no other executive officers of Legion or individuals who individually earned more than \$150,000 in total compensation.

| Name and Position  | Year | Salary, consulting fee, retainer or commission (\$) | Bonus (\$) | Committee or meeting fees (\$) | Value of perquisites (\$) | Value of All Other Compensation (\$) | Total Compensation (\$) |
|--|------|---|------------|--------------------------------|---------------------------|--------------------------------------|-------------------------|
| Peter Smith<br>President, CEO<br>and Director              | 2018 | Nil   | Nil        | Nil                            | Nil                       | Nil                                  | Nil                     |
|  | 2017 | Nil   | Nil        | Nil                            | Nil                       | Nil                                  | Nil                     |
| Charles Ackerman<br>Chief Financial Officer <sup>(1)</sup> | 2018 | 9,350   | Nil        | Nil                            | Nil                       | Nil                                  | 9,350                   |
|  | 2017 | 2,500   | Nil        | Nil                            | Nil                       | Nil                                  | 2,500                   |
| Paul Pedersen<br>Director                                  | 2018 | Nil   | Nil        | Nil                            | Nil                       | Nil                                  | Nil                     |
|  | 2017 | Nil   | Nil        | Nil                            | Nil                       | Nil                                  | Nil                     |
| Guy Pinsent<br>Director                                    | 2018 | Nil   | Nil        | Nil                            | Nil                       | Nil                                  | Nil                     |
|  | 2017 | Nil   | Nil        | Nil                            | Nil                       | Nil                                  | Nil                     |
| Larry Timlick<br>Director                                  | 2018 | Nil   | Nil        | Nil                            | Nil                       | Nil                                  | Nil                     |
|  | 2017 | Nil   | Nil        | Nil                            | Nil                       | Nil                                  | Nil                     |

(1) Amounts paid to Novillo Capital Limited, Mr. Ackerman’s service company.

### Stock Option Plans and Other Incentive Plans

No compensation securities were granted or issued to Named Executive Officers or directors during Legion’s most recently completed financial year ended March 31, 2018.



## *Stock Option Plan*

The Company has adopted a stock option plan (the “Plan”) which provides eligible directors, officers, employees and consultants with the opportunity to acquire an ownership interest in the Company and is the basis for the Company’s long-term incentive scheme. The Plan has not been previously approved by the shareholders of the Company. The key features of the Plan are as follows:

- The maximum number of common shares issuable under the Plan shall not exceed 20% of the number of common shares of the Company issued and outstanding as of each award date, inclusive of all common shares reserved for issuance pursuant to previously granted stock options.
- The options have a maximum term of five years from the date of issue.
- Options vest as the board of directors of the Company may determine upon the award of the options.
- The exercise price of options granted under the Plan will be determined by the board of directors but will not be less than the greater of the closing market price of the Company’s common shares on the Canadian Securities Exchange on (a) the trading day prior to the date of grant of the options; and (b) the date of grant of the stock options.
- The expiry date of an option shall be the earlier of the date fixed by the Company’s board of directors on the award date, and: (a) in the event of the death of the option holder while he or she is a director or employee (other than an employee performing investor relations activities), 12 months from the date of death of the option holder, or while he or she is a consultant or an employee performing investor relations activities, 30 days from the date of death of the option holder; (b) in the event that the option holder holds his or her option as a director and such option holder ceases to be a director of the Company other than by reason of death, 90 days following the date the option holder ceases to be a director (provided however that if the option holder continues to be engaged by the Company as an employee or consultant, the expiry date shall remain unchanged), unless the option holder ceases to be a director as a result of ceasing to meet the qualifications set forth in section 124 of the *Business Corporations Act* (British Columbia) or a special resolution passed by the shareholders of the Company pursuant to section 128(3) of the *Business Corporations Act* (British Columbia), in which case the expiry date will be the date that the option holder ceases to be a director of the Company; (c) in the event that the option holder holds his or her option as an employee or consultant of the Company (other than an employee or consultant performing investor relations activities) and such option holder ceases to be an employee or consultant of the Company other than by reason of death, 30 days following the date the option holder ceases to be an employee or consultant, unless the option holder ceases to be such as a result of termination for cause or an order of the British Columbia Securities Commission, the Canadian Securities Exchange or any regulatory body having jurisdiction to so order, in which case the expiry date shall be the date the option holder ceases to be an employee or consultant of the Company; and (d) in the event that the option holder holds his or her option as an employee or consultant of the Company who provides investor relations activities on behalf of the Company, and such option holder ceases to be an employee or consultant of the Company other than by

reason of death, the expiry date shall be the date the option holder ceases to be an employee or consultant of the Company.

The Plan may be terminated at any time by resolution of the board of directors, but any such termination will not affect or prejudice rights of participants holding options at that time. If the Plan is terminated, outstanding options will continue to be governed by the provisions of the Plan.

### Employment, Consulting and Management Agreements

Legion was not party to any employment, consulting or management agreements with any director or Named Executive Officer. See “The Company – Employment, Consulting and Management Agreements” for a description of employment, consulting and management agreements between the Company and any director or Named Executive Officer.

### Oversight and Description of Director and Name Executive Officer Compensation

The board of directors has the responsibility for determining compensation for the directors and senior management (including the Named Executive Officers). Up to and including March 14, 2019, the closing date of the Acquisition, no compensation was paid to any director or Named Executive Officer during the financial year ended March 31, 2018 or has been paid during the current financial year, except: a monthly fee of \$1,000 has been paid to Legion’s Chief Financial Officer for services provided; and since October 1, 2018, a monthly fee of \$5,000 has been paid to Legion’s Chief Executive Officer.

### Nextleaf Solutions Ltd. - Historical Compensation

The historical executive compensation for Nextleaf is summarized in the following table.

| Name and Principal position                | Year         | Salary, consulting fee, retainer or commission (\$) | Bonus (\$) | Committee or meeting fees (\$) | Value of Perquisites (\$) | All other compensation (\$) | Total compensation (\$) |
|--|--------------|---|------------|--------------------------------|---------------------------|-----------------------------|-------------------------|
| Paul Pedersen, President, CEO and Director | 2017<br>2016 | 20,000<br>0   | Nil<br>Nil | Nil<br>Nil                     | Nil<br>Nil                | Nil<br>Nil                  | 20,000                  |
| Charles Ackerman, CFO and Director         | 2017<br>2016 | 0<br>0  | Nil<br>Nil | Nil<br>Nil                     | Nil<br>Nil                | Nil<br>Nil                  | Nil                     |
| Ryan Ko, Chief Technology Officer          | 2017<br>2016 | 0<br>0  | Nil<br>Nil | Nil<br>Nil                     | Nil<br>Nil                | Nil<br>Nil                  | Nil                     |

| Name and Principal position            | Year | Salary, consulting fee, retainer or commission (\$) | Bonus (\$) | Committee or meeting fees (\$) | Value of Perquisites (\$) | All other compensation (\$) | Total compensation (\$) |
|--|------|---|------------|--------------------------------|---------------------------|-----------------------------|-------------------------|
| Fred Bonner, Director <sup>(1)</sup>   | 2017 | 0   | Nil        | Nil                            | Nil                       | Nil                         | Nil                     |
|  | 2016 | 0   | Nil        | Nil                            | Nil                       | Nil                         | Nil                     |
| Paul MacLeman, Director <sup>(1)</sup> | 2017 | 0   | Nil        | Nil                            | Nil                       | Nil                         | Nil                     |
|  | 2016 | 0   | Nil        | Nil                            | Nil                       | Nil                         | Nil                     |

Note:

(1) Elected as a director of Nextleaf Solutions Ltd. on January 2, 2019.

### The Company - Proposed Compensation

The proposed executive compensation for the Company is summarized in the following table.

| Name and Position                      | Period Ended       | Salary, Consulting Fee, Retainer or Commission | Bonus              | Committee of meeting Fees | Value of Perquisites | Value of All Other Compensation | Total Compensation          |
|--|--------------------|--|--------------------|---------------------------|----------------------|---------------------------------|-----------------------------|
| Paul Pedersen, CEO and Director        | September 30, 2019 | \$168,000                                      | \$0 <sup>(1)</sup> | \$0                       | \$0                  | \$0                             | \$168,000 <sup>(1)(2)</sup> |
| Charles Ackerman, CFO and Director     | September 30, 2019 | \$96,000                                       | \$0 <sup>(3)</sup> | \$0                       | \$0                  | \$0                             | \$96,000 <sup>(3)(4)</sup>  |
| Ryan Ko, CTO                           | September 30, 2019 | \$168,000                                      | \$0 <sup>(1)</sup> | \$0                       | \$0                  | \$0                             | \$168,000 <sup>(1)(5)</sup> |
| Fred Bonner, Director <sup>(6)</sup>   | September 30, 2019 | \$0  | \$0                | \$0                       | \$0                  | \$0                             | \$0                         |
| Paul MacLeman, Director <sup>(6)</sup> | September 30, 2019 | \$0  | \$0                | \$0                       | \$0                  | \$0                             | \$0                         |

Notes:

(1) Based on certain performance milestones the executive can earn additional bonus compensation to bring total compensation to no more than \$250,000 per annum. 1,500,000 stock options and 2,300,000 performance stock options which vest upon certain milestones being met have also been granted.

(2) Mr. Pedersen will also receive a lump sum payment of \$62,500 for past services rendered for which compensation has not been paid, which lump sum payment is based on a discounted rate of the 2018 annual base fee pro-rated for the period over which such past unpaid services were rendered.

- (3) Based on certain performance milestones the executive can earn additional bonus compensation to bring total compensation to no more than \$180,000 per annum. 980,000 stock options and 1,000,000 performance stock options which vest upon certain milestones being met have also been granted.
- (4) Mr. Ackerman will also receive a lump sum payment of \$70,000 for past services rendered for which compensation has not been paid, which lump sum payment shall be based on the base fee pro-rated for the period over which such past unpaid services were rendered
- (5) Mr. Ko will also receive a lump sum payment of \$50,000 is for past services rendered for which compensation has not been paid, which lump sum payment is based on a discounted rate of the 2018 annual base fee pro-rated for the period over which such past unpaid services were rendered.
- (6) Elected as a director of Nextleaf Solutions Ltd. on January 2, 2019.

### **The Company – Employment, Consulting and Management Agreements**

#### *Paul Pedersen – Chief Executive Officer*

The Company is party to a consulting agreement with Mr. Pedersen's consulting services company. Under the agreement, Mr. Pedersen will receive compensation described in the foregoing proposed compensation table.

#### *Ryan Ko – Chief Technology Officer*

The Company is party to a consulting agreement with Mr. Ko's consulting services company. Under the agreement, Mr. Ko will receive compensation based described in the foregoing proposed compensation table.

#### *Charles Ackerman – Chief Financial Officer*

The Company is party to a consulting agreement with Mr. Ackerman's consulting services company. Under the agreement, Mr. Ackerman will receive compensation based on the foregoing proposed compensation table.

#### 16. Indebtedness of Directors and Executive Officers

No director or executive officer of the Company is, as at the date hereof, indebted to the Company.

#### 17. Risk Factors

- 17.1 *Disclose risk factors relating to the Issuer and its business, such as cash flow and liquidity problems, if any, experience of management, the general risks inherent in the business carried on by the Issuer, environmental and health risks, reliance on key personnel, regulatory constraints, economic or political conditions and financial history and any other matter that would be likely to influence an investor's decision to purchase securities of the Issuer.*

An investment in the Company and its securities should be considered speculative due to the nature of the Company's business. In addition to the other information contained in this

prospective investors should give careful consideration to the following risk factors, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this reporting statement. Any of the matters highlighted in these risk factors could have a material adverse effect on the business of the Company, results of its operations and its financial condition.

The Company believes the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company. Additional risks and uncertainties not presently known to the Company, or which the Company currently deems immaterial may also have an adverse effect upon the Company. The risks listed are set out in order of priority in the opinion of the Company but history may well prove that the Company is not prescient.

#### *Risks Related to the Company's Business*

##### *Risks Related to Failure to Comply with Laws, Regulations and Standards*

Achievement of the Company's business objectives are contingent, in part, upon compliance with the regulatory requirements, including those imposed by Health Canada, enacted by these government authorities and obtaining all regulatory approvals, where necessary, for the conduct of its business. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by government authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Company's business, results of operation and financial condition.

Any changes to the existing regulatory framework or the imposition of new legislation or regulations applicable to the cannabis industry in which the Company operates may adversely affect the financial and operating performance of the Company. This risk factor applies to government policy and legislative changes in Canada, as well as the other countries in which the Company operates or intends to operate in the future.

The legal cannabis industry is a new industry and the Company anticipates that regulations governing the industry will be subject to change as the Canadian Government monitors producers and distributors of cannabis products. Changes to government regulations, including those relating to taxes and other government levies, could significantly affect the financial condition of market participants, including the Company.

Regulatory reform could significantly delay, hamper or otherwise adversely impact the development of the legal cannabis industry, as well as have a material adverse effect on the Company's business, results of operations, and financial condition.

In addition, the Government of Canada may require that technology providers in the cannabis industry (such as the Company) require specific licenses to operate. Obtaining a licence would significantly impact revenue forecasts and costs associated with compliance.

##### *Environmental and Employee Health and Safety Regulations Risk*

The Company's operations are or may be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land; the handling and

disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

#### *Product Liability Risk*

The Company aims to lease or sell extraction units to licensed producers in order for the client to manufacture distilled cannabinoid oil to sell to individuals. The products are subject to stringent safety standards and are otherwise highly regulated. If components or equipment manufactured using the extraction unit does not meet manufacturing standards or are found to be faulty, defective or unsafe, the Company may face product liability claims from lessees and/or purchasers of extraction units, regulators or members of the public, which may affect the Company's brand reputation, revenue-earning potential and operating results. Nextleaf may not be able to successfully secure or renew product liability insurance, or defend itself against product liability claims. Any product liability claims may disrupt the Company's business operations and financial performance.

#### *Uninsured or Uninsurable Risk*

The Company may be subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's normal business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

#### *Risks Related to Competition*

Competitors may be working on developing new products and technologies that are superior to the Company's extraction, refinement and distillation technology. The development of a new and superior product by a competitor could affect the Company's ability to successfully exploit its products. Nextleaf may be unable to develop further products or keep pace with developments in its market space, and may lose market share to competitors. If the Company's competitors develop a more efficient product or undertake a more aggressive marketing campaign, it would likely adversely affect the Company's financial performance and marketing strategies.

There is no guarantee that licenced growers will utilize the Company's extraction technology. The Company may be unable to compete successfully with more established distillation or processing companies on price or quality, or may be unsuited to the established preferences of potential users. The Company is unable to influence or control the conduct of its competitors and such conduct may detrimentally affect the Company's financial and operating performance.

### *Risks Related to Intellectual Property Rights*

The Company holds the patents, which constitute a primary asset of the Company. The ability of the Company to licence and monetize its intellectual property or to attract commercial partners is largely dependent on the Company protecting the monopoly rights to exploit the inventions and methods described in the patents. Whilst the Company is not aware of the distillation technology infringing any third party's patents, it has not undertaken an exhaustive assessment of existing patents to determine any overlapping technology or potential infringement, as the costs of such would be prohibitive. Accordingly, there is a risk that a third party may claim that the Company's technology (including as set out in the patents) infringes that third party's patent.

Any event that would jeopardise the Company's proprietary rights or any claims of infringement by third parties could have an adverse effect on the Company's ability to market or exploit the Company's distillation technology.

The status of the applications for the patents remains pending as at the date hereof. The Company provides no guarantee that the applications will not be accepted, however the Company has no reason to believe that the patents will not be accepted.

There is no guarantee that the patents will provide adequate protection for the Company's intellectual property, or that third parties will not infringe or misappropriate the patents or similar proprietary rights. In addition, there can be no assurance that the Company will not have to pursue litigation against other parties to assert its rights.

### *Risks Related to Reliance on Key Members*

The Company's success, including its research and development and operational success, will depend on the ability of its directors, officers and other key personnel to develop and execute on the Company's business strategies and manage its ongoing operations, and on the Company's ability to attract and retain key personnel. The loss of any key personnel or the inability to find and retain new key persons could have a material adverse effect on the Company's business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that the Company will be able to attract or retain key personnel in the future, which may adversely impact the Company's operations.

### *Risks Related to Commercialization*

There can be no assurance that the Company will successfully commercialise the business model of offering extraction services to licensed producers. There can be no assurance that existing distillation technology will continue to develop or that new markets will develop and that the Company's technology becomes obsolete.

If market uptake of the extraction services is slow or does not meet expectations, the Company's business, financial condition and operational results will be compromised.

### *Risks Related to Consumer Preferences*

The Company's business is dependent upon consumer awareness and market acceptance of the cannabinoid oil, which can be consumed as an edible oil and can also be made into a variety of

infused products for consumers, including; infused edible foods, cartridges for vape pens, topical creams and gel capsules. The primary competing method of legal cannabis consumption is smoking dried cannabis buds. The Company may not be able to anticipate and react to trends within the licenced cannabis consumption market in a timely manner or accurately assess the impact that such trends may have on consumer preferences. New methods of consumption may adversely affect demand for edible cannabis products, and therefore adversely impact demand for cannabis oil.

Failure to respond to changes in consumer preferences or anticipate market trends may adversely affect the Company's future revenues and performance. Although the Company has strived to establish market recognition for its services in the industry, it is too early in the life cycle of the Company's brand to determine whether the Company's services and technology will achieve and maintain satisfactory levels of acceptance and sustained take-up by licensed producers.

There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the legal cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and services, and, correspondingly, on the Company's business, results of operations, financial condition and cash flows.

The effect of consumer perceptions on the legal cannabis market means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the demand for the Company's products and services, and, correspondingly, on the Company's business, results of operations, financial condition and cash flows.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

### *Litigation Risks*

The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause the Company to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and we could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages. While the Company has insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards. Substantial litigation costs or an adverse result in any litigation may adversely impact the Company's business, operating results or financial condition.



## *General Risks of an Investment in the Company*

### *Limited Operating History*

In addition to being subject to general business risks and to risks inherent in the nature of an early stage business, the Company will be exposed to risks inherent to participating in an early stage industry. The new legal cannabis industry into which the Company is entering may have competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets.

The Company will need to build consumer awareness of its brand in the emerging legal cannabis industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations. These activities may not promote the Company's brand, products and services as effectively as intended, or at all.

The Company must rely largely on its own market research to forecast sales and demand for its products and services, as detailed forecasts are not generally obtainable from other sources at this early stage of the legal cannabis industry.

If demand for the Company's products or services fails to materialise as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

### *Risks Related to Use of Funds*

Although the Company currently intends to use its funds in the manner described herein, the Company's management will have broad discretion in the application of the funds and could spend the funds in ways that do not improve the Company's results of operations or enhance the value of its shares. The failure by the Company's management to apply these funds effectively could result in financial losses that could have a material adverse effect on the Company's business, cause the price of the Company's shares to decline and delay the development of new products. The Company may invest the net proceeds from the Offering in a manner that does not produce income or that loses value.

### *Dividend Risk*

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain its earnings to finance further growth.

### *Estimates and Assumptions*

Preparation of its financial statements requires the Company to use estimates and assumptions. Accounting for estimates requires the Company to use its judgment to determine the amount to be recorded on its financial statements in connection with these estimates. If the estimates and assumptions are inaccurate, the Company could be required to write down its recorded values. On an ongoing basis, the Company re-evaluates its estimates and assumptions. However, the actual amounts could differ from those based on estimates and assumptions.

## *Costs and Compliance Risks*

Legal, accounting and other expenses associated with public company reporting requirements are significant. Nextleaf anticipates that costs may increase with corporate governance related requirements, including, without limitation, requirements under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, National Instrument 52-110 – *Audit Committees* and National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

The Company also expects these rules and regulations may make it more difficult and more expensive for it to obtain director and officer liability insurance, and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for the Company to attract and retain qualified individuals to serve on its board of directors or as executive officers.

17.2 *If there is a risk that securityholders of the Issuer may become liable to make an additional contribution beyond the price of the security, disclose that risk.*

This item is not applicable.

17.3 *Describe any risk factors material to the Issuer that a reasonable investor would consider relevant to an investment in the securities being listed and that are not otherwise described under section 17.1 or 17.2.*

This item is not applicable.

## 18. Promoters

18.1 *For a person or company that is, or has been within the two years immediately preceding the date of the Listing Statement, a promoter of the Issuer or of a subsidiary of the Issuer, state:*

- (a) *the person or company's name;*
- (b) *the number and percentage of each class of voting securities and equity securities of the Issuer or any of its subsidiaries beneficially owned, directly or indirectly, or over which control is exercised;*
- (c) *the nature and amount of anything of value, including money, property, contracts, options or rights of any kind received or to be received by the promoter directly or indirectly from the Issuer or from a subsidiary of the Issuer, and the nature and amount of any assets, services or other consideration therefor received or to be received by the Issuer or a subsidiary of the Issuer in return; and*
- (d) *for an asset acquired within the two years before the date of the Listing Statement or thereafter, or to be acquired, by the Issuer or by a subsidiary of the Issuer from a promoter:*
  - (i) *the consideration paid or to be paid for the asset and the method by which the consideration has been or will be determined,*

- (ii) *the person or company making the determination referred to in subparagraph (i) and the person or company's relationship with the Issuer, the promoter, or an associate or affiliate of the Issuer or of the promoter, and*
- (iii) *the date that the asset was acquired by the promoter and the cost of the asset to the promoter.*

Each of Paul Pedersen and Ryan Ko may be considered to be a promoter of Nextleaf as each of them took the initiative in founding and organizing the Company. Mr. Pedersen owns 7,372,657 common shares of the Company (7.63% of the total number of shares issued and outstanding) and 3,800,000 stock options of the Company (26.95% of the total number of options issued and outstanding). Mr. Ko owns 8,445,311 common shares of the Company (8.74% of the total number of shares issued and outstanding) and 3,800,000 stock options of the Company (26.95% of the total number of options issued and outstanding).

- 18.2 (1) *If a promoter referred to in section 18.1 is, as at the date hereof, or was within 10 years before the date hereof, a director, chief executive officer, or chief financial officer of any person or company that:*
- a) *was subject to an order that was issued while the promoter was acting in the capacity as director, chief executive officer or chief financial officer; or*
  - b) *was subject to an order that was issued after the promoter ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the promoter was acting in the capacity as director, chief executive officer or chief financial officer,*

*state the fact and describe the basis on which the order was made and whether the order is still in effect.*

- (2) *For the purposes of section 18.2 (1), "order" means:*
- (a) *a cease trade order;*
  - (b) *an order similar to a cease trade order; or*
  - (c) *an order that denied the relevant person or company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.*
- (3) *If a promoter referred to in section 18.2 (1):*
- (a) *is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any person or company that, while the promoter was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a*

receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

- (b) *has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the promoter, state the fact.*
- (4) *Describe the penalties or sanctions imposed and the grounds on which they were imposed or the terms of the settlement agreement and the circumstances that gave rise to the settlement agreement, if a promoter referred to in section 18.2(1) has been subject to:*
- (a) *any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a provincial and territorial securities regulatory authority or has entered into a settlement agreement with a provincial and territorial securities regulatory authority; or*
  - (b) *any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.*
- (5) *Despite section 18.2(4), no disclosure is required of a settlement agreement entered into before December 31, 2000 unless the disclosure would likely be considered important to a reasonable investor in making an investment decision.*

This item is not applicable.

## 19. Legal Proceedings

- 19.1 *Describe any legal proceedings material to the Issuer to which the Issuer or a subsidiary of the Issuer is a party or of which any of their respective property is the subject matter and any such proceedings known to the Issuer to be contemplated, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.*

None of the Company, Nextleaf Innovations or their respective property is or has been the subject of any legal proceedings, penalties or sanctions imposed by a court or regulatory authority, or settlement agreements before a court or regulatory, and no such legal proceedings, penalties or sanctions are known by the Company to be contemplated.

### 19.2 *Regulatory actions - Describe any:*

- (a) *penalties or sanctions imposed against the Issuer by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years immediately preceding the date hereof;*
- (b) *other penalties or sanctions imposed by a court or regulatory body against the Issuer necessary to contain full, true and plain disclosure of all material facts*

*relating to the securities being listed; and*

- (c) *settlement agreements the Issuer entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date hereof.*

See item 19.1 above.

## 20. Interest of Management and Others in Material Transactions

20.1 *Describe, and state the approximate amount of, any material interest, direct or indirect, of any of the following persons or companies in any transaction within the three years before the date of the Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Issuer or a subsidiary of the Issuer:*

- (a) *any director or executive officer of the Issuer;*
- (b) *a person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of your outstanding voting securities; and*
- (c) *an associate or affiliate of any of the persons or companies referred to in paragraphs (a) or (b).*

Other than as disclosed below, no director, executive officer of the Company or any shareholder beneficially holding or controlling, directly or indirectly, more than 10% of the issued and outstanding common shares of the Company, or any of their respective associates or affiliates, had any material direct or indirect interest in any transaction within the three years preceding the date of this Listing Statement which has materially affected or would materially affect the Company.

Each of Paul Pedersen, President, CEO and a director of the Company, and Fred Bonner, a director of the Company, were directors of Rheingold Exploration Corp. and Beja Resources Inc. when Rheingold and Beja transferred the Millen Mountain Property to Legion. Pursuant to the Arrangement, Legion has now divested the Millen Mountain Property to Myriad.

Each of Paul Pedersen, President, CEO and a director of the Company, Charles Ackerman, CFO, Corporate Secretary and a director of the Company, Fred Bonner, a director of the Company, and Ryan Ko, CTO of the Company, were shareholders of Nextleaf, and accordingly under the Acquisition each of them received shares of the Company in exchange for their shares of Nextleaf.

## 21. Auditors, Transfer Agents and Registrars

21.1 *State the name and address of the auditor of the Issuer.*

The auditors of the Company are Davidson & Company, Chartered Professional Accountants, #1200 – 609 Granville Street, Vancouver, British Columbia V7Y 1G6.

21.2 *For each class of securities, state the name of any transfer agent, registrar, trustee, or other agent appointed by the Issuer to maintain the securities register and the register*

*of transfers for such securities and indicate the location (by municipality) of each of the offices of the Issuer or transfer agent, registrar, trustee or other agent where the securities register and register of transfers are maintained or transfers of securities are recorded.*

The registrar and transfer agent for the Company's common shares is AST Trust Company (Canada), at Suite 1600 - 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1. Legion and AST Trust Company (Canada) have entered into an agreement dated August 2, 2017 (the "**Registrar and Transfer Agreement**") governing their respective rights and duties pertaining to this relationship.

## 22. Material Contracts

22.1 *Give particulars of every material contract, other than contracts entered into in the ordinary course of business that was entered into within the two years before the date of Listing Statement by the Issuer or a subsidiary of the Issuer.*

The only material contracts entered into by the Company, Nextleaf or Legion within the two years before the date of this Listing Statement, other than contracts entered into in the ordinary course of business, are as follows:

1. The Distribution Agreement;
2. The Manufacturing Agreement;
3. The Legion Escrow Agreement;
4. The Registrar and Transfer Agreement;
5. The Nextleaf Escrow Agreement;
6. The Nextleaf Five Month Voluntary Pooling Agreements;
7. The Nextleaf Three Year Voluntary Escrow Agreement;
8. The Nextleaf Lease;
9. The Nextleaf Labs License Agreement;
10. The Nextleaf Labs Sublease Agreement;
11. Consulting agreements with consulting services companies of Paul Pedersen, Charles Ackerman and Ryan Ko (see item 15);
12. The Agency Agreement; and
13. The Warrant Indenture.

22.2 *If applicable, attach a copy of any co-tenancy, unitholders' or limited partnership agreement.*

This item is not applicable.

## 23 Interest of Experts

23.1 *Disclose all direct or indirect interests in the property of the Issuer or of a Related Person of the Issuer received or to be received by a person or company whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of the Listing Statement or prepared or certified a report or valuation described or included in the Listing Statement.*

- 23.2 *Disclose the beneficial ownership, direct or indirect, by a person or company referred to in section 23.1 of any securities of the Issuer or any Related Person of the Issuer.*
- 23.3 *For the purpose of section 23.2, if the ownership is less than one per cent, a general statement to that effect shall be sufficient.*
- 23.4 *If a person, or a director, officer or employee of a person or company referred to in section 23.1 is or is expected to be elected, appointed or employed as a director, officer or employee of the Issuer or of any associate or affiliate of the Issuer, disclose the fact or expectation.*

The Company's auditors, Davidson & Company, Chartered Professional Accountants, report that they are independent from the Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia, Canada.

24. Other Material Facts

- 24.1 *Give particulars of any material facts about the Issuer and its securities that are not disclosed under the preceding items and are necessary in order for the Listing Statement to contain full, true and plain disclosure of all material facts relating to the Issuer and its securities.*

There are no material facts relating to the Company other than as disclosed herein.

25. Financial Statements

- 25.1 *Provide the following audited financial statement for the Issuer:*

- (a) *copies of all financial statements including the auditor's reports required to be prepared and filed under applicable securities legislation for the preceding three years as if the Issuer were subject to such law; and*
- (b) *a copy of financial statements for any completed interim period of the current fiscal year.*

- 25.2 *For Issuers re-qualifying for listing following a fundamental change provide*

- (a) *the information required in sections 5.1 to 5.3 for the target;*
- (b) *financial statement for the target prepared in accordance with the requirements of National Instrument 41-101 General Prospectus Requirements as if the target were the Issuer;*
- (c) *pro-forma consolidated financial statements for the New Issuer giving effect to the transaction for:*
- (i) *the last full fiscal year of the Issuer, and*
- (ii) *any completed interim period of the current fiscal year.*

The following financial statements are provided:

Annual Financial Statements of Legion for the fiscal years ended March 31, 2017 and 2018 and for the 9 month interim period ended December 31, 2018

Annual Financial Statements of Nextleaf for the fiscal years ended September 30, 2018 and 2017 and for the 3 month interim period ended December 31, 2018

Pro forma financial statements of Legion and Nextleaf



**Legion Metals Corp.**  
Financial Statements  
(Expressed in Canadian Dollars)  
**March 31, 2018**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Legion Metals Corp.

We have audited the accompanying financial statements of Legion Metals Corp., which comprise the statements of financial position as at March 31, 2018 and 2017 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended March 31, 2018 and period of incorporation from December 8, 2016 to March 31, 2017, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of Legion Metals Corp. as at March 31, 2018 and 2017 and its financial performance and its cash flows for the year ended March 31, 2018 and period of incorporation on December 8, 2016 to March 31, 2017 in accordance with International Financial Reporting Standards.



*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Legion Metals Corp.'s ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

July 24, 2018

**Legion Metals Corp.**  
 Statements of Financial Position  
 As at March 31, 2018  
 (Expressed in Canadian Dollars)

|   | <b>2018</b>      | <b>2017</b>     |
|---|------------------|-----------------|
|   | \$               | \$              |
| <b>Assets</b>   |                  |                 |
| <b>Current</b>  |                  |                 |
| Cash  | 188,763          | 121,866         |
| Restricted cash (Note 4)                              | 10,237           |                 |
| Receivables   | 10,692           | -               |
| Share subscription receivable (Note 7)                | -                | 2,000           |
|   | <u>209,692</u>   | <u>123,866</u>  |
| <b>Exploration and evaluation properties (Note 5)</b> | 150,000          | -               |
| <b>Equipment (Note 6)</b>                             | <u>132,046</u>   | <u>-</u>        |
|   | <u>491,738</u>   | <u>123,866</u>  |
| <b>Liabilities</b>                                    |                  |                 |
| <b>Current</b>  |                  |                 |
| Accounts payable and accrued liabilities (Note 8)     | <u>27,606</u>    | <u>14,920</u>   |
|   | <u>27,606</u>    | <u>14,920</u>   |
| <b>Shareholders' Equity</b>                           |                  |                 |
| <b>Share capital (Note 7)</b>                         | 698,045          | 124,500         |
| <b>Reserves (Note 7)</b>                              | 60,901           | -               |
| <b>Deficit</b>  | <u>(294,814)</u> | <u>(15,554)</u> |
|   | <u>464,132</u>   | <u>108,946</u>  |
|   | <u>491,738</u>   | <u>123,866</u>  |

**Nature and Continuance of Operations (Note 1)**

**Approved and Authorized by the Board on July 24, 2018:**

" Peter Smith " Director                      " Paul Pedersen " Director

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

**Legion Metals Corp.**

Statement of Loss and Comprehensive Loss  
For the year ended March 31, 2018 and the  
period of incorporation from December 8, 2016 to  
March 31, 2017  
(Expressed in Canadian Dollars)

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|   | <b>2018</b>       | <b>2017</b><br><b>(113 days)</b> |
|---|-------------------|----------------------------------|
|   | <b>\$</b>         | <b>\$</b>                        |
| <b>Digital assets sold</b>                                      | 10,289            | -                                |
| Cost of digital assets sold (Note 11)                           | (17,644)          | -                                |
|   | <u>(7,355)</u>    | <u>-</u>                         |
| <b>Expenses</b>   |                   |                                  |
| General and administration                                      | 7,496             | 34                               |
| Filing fees   | 38,374            | -                                |
| Property investigation  | 1,600             | 2,500                            |
| Professional fees (Note 8)                                      | 74,435            | 13,020                           |
| Share-based compensation (Note 7 and 8)                         | 7,000             | -                                |
|   | <u>(128,905)</u>  | <u>(15,554)</u>                  |
|   | (136,260)         | (15,554)                         |
| Loss on impairment of equipment (Note 6)                        | <u>(143,000)</u>  | <u>-</u>                         |
| <b>Loss and comprehensive loss for the period</b>               | <u>(279,260)</u>  | <u>(15,554)</u>                  |
| <b>Loss and comprehensive loss per share, basic and diluted</b> | <u>(0.03)</u>     | <u>(0.28)</u>                    |
| <b>Weighted average number of common shares outstanding</b>     | <u>10,583,468</u> | <u>55,088</u>                    |

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

## Legion Metals Corp.

### Statement of Cash Flows

For the year ended March 31, 2018 and  
period of incorporation from December 8, 2016 to  
March 31, 2017

(Expressed in Canadian Dollars)

|  | 2018             | 2017             |
|--|------------------|------------------|
|  | \$               | (113 days)<br>\$ |
| <b>Cash provided by (used in)</b>                          |                  |                  |
| <b>Operating activities</b>                                |                  |                  |
| Loss for the period  | (279,260)        | (15,554)         |
| Charges not involving cash                                 |                  |                  |
| Depreciation   | 12,004           | -                |
| Share-based compensation                                   | 7,000            | -                |
| Property investigation                                     | -                | 2,500            |
| Impairment of equipment                                    | 143,000          | -                |
| Changes in operating assets and liabilities:               |                  |                  |
| Increase in restricted cash                                | (10,237)         | -                |
| Increase in receivables                                    | (10,692)         | -                |
| Increase in accounts payable and accrued liabilities       | 12,686           | 14,920           |
| <b>Cash provided by (used in) operating activities</b>     | <u>(125,499)</u> | <u>1,866</u>     |
| <b>Financing activities</b>                                |                  |                  |
| Share subscription received                                | 2,000            | -                |
| Proceeds from issuance of common shares, net of commission | 334,446          | 120,000          |
| <b>Cash provided by (used in) financing activities</b>     | <u>336,446</u>   | <u>120,000</u>   |
| <b>Investing activities</b>                                |                  |                  |
| Acquisition of equipment                                   | (144,050)        | -                |
| <b>Cash provided by (used in) investing activities</b>     | <u>(144,050)</u> | <u>-</u>         |
| <b>Change in cash</b>                                      | 66,897           | 121,866          |
| <b>Cash, beginning of period</b>                           | <u>121,866</u>   | <u>-</u>         |
| <b>Cash, end of period</b>                                 | <u>188,763</u>   | <u>121,866</u>   |

Supplemental disclosure of non-cash transactions.

|  |           |         |
|--|-----------|---------|
| Common shares issued for property                            | \$150,000 | \$nil   |
| Common shares issued for equipment                           | \$110,000 | \$nil   |
| Share options issued for equipment                           | \$33,000  | \$nil   |
| Warrants issued as commission for IPO, netted against equity | \$20,901  | \$nil   |
| Subscriptions receivable included in share capital           | \$nil     | \$2,000 |
| Amounts paid for interest                                    | \$nil     | \$nil   |
| Amounts paid for taxes                                       | \$nil     | \$nil   |

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

## Legion Metals Corp.

### Statement of Changes in Shareholders' Equity (Expressed in Canadian Dollars)

|  | Common<br>Shares  | Share Capital<br>\$ | Reserves<br>\$ | Deficit<br>\$    | Total<br>Equity<br>\$ |
|--|-------------------|---------------------|----------------|------------------|-----------------------|
| <b>Balance at December 8, 2016 (inception)</b>           | -                 | -                   | -              | -                | -                     |
| Common shares issued for cash                            | 6,100,000         | 122,000             | -              | -                | 122,000               |
| Common shares issued for property investigation          | 125,000           | 2,500               | -              | -                | 2,500                 |
| Loss for the period                                      | -                 | -                   | -              | (15,554)         | (15,554)              |
| <b>Balance at March 31, 2017</b>                         | <b>6,225,000</b>  | <b>124,500</b>      | <b>-</b>       | <b>(15,554)</b>  | <b>108,946</b>        |
| Share-based compensation                                 | -                 | -                   | 7,000          | -                | 7,000                 |
| Common shares issued for exploration property            | 1,500,000         | 150,000             | -              | -                | 150,000               |
| Common shares issued for cash – IPO                      | 4,039,600         | 403,960             | -              | -                | 403,960               |
| Share issuance cost - IPO                                | -                 | (90,415)            | 20,901         | -                | (69,514)              |
| Common shares issued for cryptocurrency mining equipment | 1,000,000         | 110,000             | -              | -                | 110,000               |
| Share options issued for cryptocurrency mining equipment | -                 | -                   | 33,000         | -                | 33,000                |
| Loss for the period                                      | -                 | -                   | -              | (279,260)        | (279,260)             |
| <b>Balance at March 31, 2018</b>                         | <b>12,764,600</b> | <b>698,045</b>      | <b>60,901</b>  | <b>(294,814)</b> | <b>464,132</b>        |

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

# **Legion Metals Corp.**

Notes to Financial Statements

(Expressed in Canadian Dollars)

**March 31, 2018**

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## **1. Nature and Continuance of Operations**

Legion Metals Corp. (the “Company”) was incorporated under the laws of the province of British Columbia on December 8, 2016. On December 12, 2017, the Company completed its initial public offering (“IPO”) (Note 7) and is now publicly traded on the Canadian Securities Exchange (“CSE”) under the ticker LEGN. The Company is a mining exploration company that is exploring for gold and other precious metals in Nova Scotia. In January 2018, the Company acquired assets for the purpose of generating digital assets (Note 6).

The Company’s registered and records office is 1090 West Georgia Street, Suite 600, Vancouver, British Columbia, V6E 3V7.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that the Company will obtain the necessary financing to complete the exploration and development of mineral property interests, or that the current or future exploration and development programs of the Company will result in profitable mining operations. In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments, including conducting minimum exploration and evaluation programs and paying for general and administrative expenses. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

## **2. Statement of compliance and basis of presentation**

The financial statements of the Company were approved and authorized for issue by the Board of Directors on July 24, 2018.

The Company’s financial statements have been prepared on the historical cost basis except for certain financial statements which are measured at fair value, as explained in Note 3, and are presented in Canadian dollars except where otherwise indicated.

The financial statements of the Company, have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).



## **Legion Metals Corp.**

Notes to Financial Statements

(Expressed in Canadian Dollars)

**March 31, 2018**

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### **3. Summary of Significant Accounting Policies**

#### **Significant accounting judgments, estimates and assumptions**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of judgement include the assessment of the Company's ability to continue as a going concern as discussed in Note 1 involves judgment regarding future funding available for its operations and working capital requirements. The selection of appropriate accounting policy related digital assets inventory and the sale of digital assets requires significant judgement as currently no specific IFRS directly addresses digital assets.

Areas requiring a significant degree of estimation include the fair value measurements for financial instruments and share-based payments, the valuation of all liability and equity instruments, the valuation and recognition of digital asset inventories and the value and useful life of equipment. Actual results may differ from those estimates.

These financial statements have been prepared on a basis which assumes 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 operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

#### **Cash**

Cash is defined as cash on hand, cash held in trust and in bank.

#### **Equipment**

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. A prorated amount of depreciation is recorded in the year of acquisition or disposition, based on the number of months the equipment is in use.

The Company's equipment is depreciated on a straight-line basis over three years. Estimated useful lives are reviewed by management and adjusted if necessary.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

## **Legion Metals Corp.**

Notes to Financial Statements

(Expressed in Canadian Dollars)

**March 31, 2018**

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **Significant accounting judgements, estimates and assumptions (continued)**

##### **Exploration and evaluation properties**

Acquisition costs for exploration and evaluation assets include the cash consideration and the fair value of equity instruments issued for exploration and evaluation assets pursuant to agreement terms. Exploration and evaluation expenditures are expensed. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Option payments received are treated as a reduction of the carrying value of the related exploration and evaluation properties and deferred costs until the receipts are in excess of costs incurred, at which time they are credited to income. Option payments are at the discretion of the optionee, and accordingly, are recorded on a cash basis.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use at that time.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment. Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

##### **Decommissioning, restoration and similar liabilities**

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties and retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future cost estimates arising from the decommissioning of plant, site restoration work and other similar retirement activities is added to the carrying amount of the related asset and depreciated on the same basis as the related asset, along with a corresponding increase in the provision in the period incurred. Discount rates using a pre-tax rate that reflect the current market assessments of the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the provision.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period. The net present value of reclamation costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of reclamation projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation properties.

## **Legion Metals Corp.**

Notes to Financial Statements  
(Expressed in Canadian Dollars)  
**March 31, 2018**

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **Significant accounting judgements, estimates and assumptions (continued)**

##### **Digital assets**

Digital assets consist of cryptocurrency denominated assets. Digital assets are recognized in accordance with IAS 2 as inventory measured at the lower of cost and net realizable value (“NRV”). The cost consists of direct costs attributable to mining the digital asset. Upon conversion of digital assets for other currencies, proceeds are recognized as a sale for the period. As at this reporting date, there is no formal IFRS standard for digital assets; however, digital assets meet specific accounting criteria to be held as inventories.

The digital asset market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital assets would have an impact on the Company’s earnings and financial position.

##### **Recognition of digital asset sales**

The Company recognizes sales in accordance with IAS 18, based on consideration received on digital asset inventory, which it receives from providing transaction verification services within digital currency networks, commonly termed “cryptocurrency mining”. As consideration for these services, the Company receives digital assets from each specific network in which it participates (“coins”) and the cost of mining these digital assets are recorded as inventory. A sale is recognized upon conversion of the digital asset to another currency such as cash.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the production and mining of digital currencies and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of revenue for mining of digital currencies. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which could result in a change in the Company’s financial position and earnings.

##### **Earnings (loss) per share**

Basic earnings (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period.

Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that (i) net earnings (loss) attributable to common shareholders are adjusted for fair value gains or losses of warrants (if dilutive) and (ii) the weighted average number of common shares outstanding is adjusted for the number of shares that are potentially issuable in connection with stock options and warrants (if dilutive). Under this method, the Company assumes that outstanding dilutive stock options and warrants were exercised and that the proceeds from such exercises (after adjustment of any unvested portion of stock options) were used to acquire common stock at the average market price during the reporting periods. For the period presented, this calculation proved to be anti-dilutive.

## **Legion Metals Corp.**

Notes to Financial Statements  
(Expressed in Canadian Dollars)  
**March 31, 2018**

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **Income taxes**

##### *Current income tax:*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income (loss) or equity is recognized in other comprehensive income (loss) or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred income tax:*

Deferred income tax is provided for, based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### **Financial assets**

Financial assets are classified as financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity, loans and receivables, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

##### *Financial assets at FVTPL*

Financial assets are classified as held for trading and are included in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives, other than those designated as effective hedging instruments, are also categorized as held for trading. These assets are carried at fair value with gains or losses recognized in profit or loss. Transaction costs associated with financial assets at FVTPL are expensed as incurred. Cash is included in this category of financial assets.

## **Legion Metals Corp.**

Notes to Financial Statements  
(Expressed in Canadian Dollars)

**March 31, 2018**

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **Financial assets (continued)**

##### *Held-to-maturity and loans and receivables*

Held-to-maturity and loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the financial asset classified in this category are derecognized or impaired, as well as through the amortization process. Transaction costs are included in the initial carrying amount of the asset. Receivables are included and loans and receivables.

##### *Available-for-sale*

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized within other comprehensive income. Accumulated changes in fair value are recorded as a separate component of equity until the investment is derecognized or impaired. Transaction costs are included in the initial carrying amount of the asset.

The fair value is determined by reference to bid prices at the close of business on the reporting date. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.

##### *Derivatives designated as hedging instruments in an effective hedge*

The Company does not hold or have any exposure to derivative instruments.

#### **Financial liabilities**

Financial liabilities are classified as financial liabilities at FVTPL, derivatives designated as hedging instruments in an effective hedge, or as financial liabilities measured at amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

##### *Financial liabilities at FVTPL*

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated by management on initial recognition. Transaction costs on financial liabilities at FVTPL are expensed as incurred. These liabilities are carried at fair value with gains or losses recognized in profit or loss.

## **Legion Metals Corp.**

Notes to Financial Statements  
(Expressed in Canadian Dollars)

**March 31, 2018**

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **Financial liabilities (continued)**

##### *Financial liabilities measured at amortized cost*

All other financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Accounts payables and accrued liabilities are included in this category of financial liabilities.

##### *Derivatives designated as hedging instruments in an effective hedge*

The Company does not hold or have any exposure to derivative instruments.

#### **Impairment of financial assets**

Financial assets, other than financial assets at FVTPL, are assessed for indicators of impairment at each period end.

##### *Assets carried at amortized cost*

If there is objective evidence that an impairment loss on assets carried at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

##### *Available-for-sale*

If an available-for-sale financial asset is impaired, the cumulative loss previously recognized in equity is transferred to profit or loss. Any subsequent recovery in the fair value of the asset is recognized within other comprehensive income.

## **Legion Metals Corp.**

Notes to Financial Statements

(Expressed in Canadian Dollars)

**March 31, 2018**

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **Derecognition of financial assets and liabilities**

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### **Impairment of non-financial assets**

The carrying amount of the Company's assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

#### **Share capital**

Common shares are included as shareholders' equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from shareholders' equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded as warrant reserve.

## **Legion Metals Corp.**

Notes to Financial Statements

(Expressed in Canadian Dollars)

**March 31, 2018**

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments on the date of grant. Fair value is measured using the Black-Scholes option pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed as services are rendered over the vesting period, based on the Corporation's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. For share-based payment awards with non-market vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no-true-up for differences between expected and actual outcomes.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service

#### **Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

#### **Accounting standards issued but not yet effective**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

#### **Effective for annual periods beginning on or after January 1, 2018**

##### ***IFRS 9, Financial Instruments – Classification and Measurement***

IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.



## **Legion Metals Corp.**

Notes to Financial Statements

(Expressed in Canadian Dollars)

**March 31, 2018**

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **Accounting standards issued but not yet effective (continued)**

##### **IFRS 15, *Revenue from Contracts with Customers*:**

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

These new standards are not expected to have a significant effect on these financial other than increased disclosure.

#### **Effective for annual periods beginning on or after January 1, 2019**

##### **IFRS 16, *Leases***

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The Company is in the process of determining the impact of this standard on the financial statements.

## Legion Metals Corp.

Notes to Financial Statements  
(Expressed in Canadian Dollars)  
**March 31, 2018**

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### 4. Financial Instruments

#### Categories of financial instruments

The fair value of financial assets and financial liabilities at amortized cost is based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

|                               | As at<br>March 31,<br>2018<br>\$ | As at<br>March 31,<br>2017<br>\$ |
|-------------------------------|----------------------------------|----------------------------------|
| <b>FINANCIAL ASSETS</b>       |                                  |                                  |
| <b>FVTPL, at fair value</b>   |                                  |                                  |
| Cash                          | 188,763                          | 121,866                          |
| Restricted cash               | 10,237                           |                                  |
| <b>Loans and receivables</b>  |                                  |                                  |
| Receivables                   | 10,692                           | 2,000                            |
| <b>Total financial assets</b> | <b>209,692</b>                   | <b>123,866</b>                   |

#### FINANCIAL LIABILITIES

##### Other liabilities, at amortized cost

|  |        |        |
|--|--------|--------|
| Accounts payable and accrued liabilities | 27,606 | 14,920 |
|--|--------|--------|

Restricted cash consists of amounts held by a cryptocurrency exchange awaiting transfer to a chartered bank account.

## Legion Metals Corp.

Notes to Financial Statements  
(Expressed in Canadian Dollars)  
**March 31, 2018**

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### 4. Financial Instruments (Continued)

|  | Fair value hierarchy | FVTPL, at fair value | Held-to-maturity and loans and receivables | Other liabilities, at amortized cost |
|--|----------------------|----------------------|--|--------------------------------------|
| <b>As at March 31, 2018</b>              |                      |                      |  |                                      |
| Cash                                     | Level 1              | 188,763              | -  | -                                    |
| Restricted cash                          |                      | 10,237               | -  | -                                    |
| Receivables                              | N/A                  | -                    | 10,692                                     | -                                    |
| Accounts payable and accrued liabilities | N/A                  | -                    | -  | 27,606                               |
| <b>As at March 31, 2017</b>              |                      |                      |  |                                      |
| Cash                                     | Level 1              | 121,866              | -  | -                                    |
| Receivables                              | N/A                  | -                    | 2,000                                      | -                                    |
| Accounts payable and accrued liabilities | N/A                  | -                    | -  | 14,920                               |

There were no transfers between Level 1, 2 and 3 during the periods ended March 31, 2018 or March 31, 2017.

### 5. Exploration and Evaluation Properties

The Company's exploration and evaluation properties expenditures for the periods ended March 31, 2018 and March 31, 2017 were as follows:

|                                | Millen Mountain | Total          |
|--------------------------------|-----------------|----------------|
|                                | \$              | \$             |
| <b>ACQUISITION COSTS</b>       |                 |                |
| Balance, December 8, 2016      | -               | -              |
| Additions                      | -               | -              |
| Balance, March 31, 2017        | -               | -              |
| Additions                      | 150,000         | 150,000        |
| <b>Balance, March 31, 2018</b> | <b>150,000</b>  | <b>150,000</b> |

During the year ended March 31, 2018 the Company acquired a 100% interest in a mineral exploration license located in Nova Scotia (the "Millen Mountain Property") from Beja Resources Inc., a related party by way of common directors, in April 2017. As consideration the Company issued 1,500,000 common shares valued at \$150,000 to Beja Resources Inc. on May 9, 2017 (Note 7).

## Legion Metals Corp.

Notes to Financial Statements  
(Expressed in Canadian Dollars)

**March 31, 2018**

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### 5. Exploration and Evaluation Properties (Continued)

During the year ended March 31, 2018 the Company entered into an agreement, subsequently amended, with Probe Metals Inc. ("Probe") to grant the option to acquire 75% of the Millen Mountain Property. In order to exercise the option, Probe shall, within 18 months, incur expenditures on the property in the amount of \$250,000, and thereafter Probe will have the right to earn an additional 25% interest in the Property (for an aggregate 75% interest) by incurring an additional \$250,000 in exploration expenditures (for an aggregate of \$500,000 in exploration expenditures) by October 2019. The property is subject to 2% net smelter royalty interest.

### 6. Equipment

|   |         |
|---|---------|
| Balance, December 8, 2016 and April 1, 2017 | -       |
| Additions                                   | 287,050 |
| Balance, March 31, 2018                     | 287,050 |

#### DEPRECIATION

|   |        |
|---|--------|
| Balance, December 8, 2016 and April 1, 2017 | -      |
| Depreciation                                | 12,004 |
| Balance, March 31, 2018                     | 12,004 |

#### IMPAIRMENT

|   |         |
|---|---------|
| Balance, December 8, 2016 and April 1, 2017 | -       |
| Impairment                                  | 143,000 |
| Balance, March 31, 2018                     | 143,000 |

#### NET BOOK VALUE

|                          |         |
|--------------------------|---------|
| Balance, March 31, 2017  | -       |
| Balance, March, 31, 2018 | 132,046 |

During the year ended March 31, 2018 the Company acquired computer equipment in exchange for cash of \$144,050, 1,000,000 common shares valued at \$110,000, and 400,000 stock options valued at \$33,000 (Note 7). The equipment was acquired to enable the Company to earn digital assets.

As at March 31, 2018, \$143,000 in equipment was written down due to uncertainties of economic benefit within the digital currency industry. The Company valued the equipment based on estimated fair value less cost to sell.

## Legion Metals Corp.

Notes to Financial Statements  
(Expressed in Canadian Dollars)

**March 31, 2018**

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### 7. Share Capital

#### Authorized

The total authorized capital are an unlimited number of common shares with no par value.

#### Issued and Outstanding

As of March 31, 2018, 3,084,726 shares were held in escrow. The shares held in escrow are to be release according to the following schedule:

| <u>Date</u>      | <u>Number of shares<br/>released</u> |
|------------------|--------------------------------------|
| April 19, 2018   | 514,121                              |
| October 19, 2018 | 514,121                              |
| April 19, 2019   | 514,121                              |
| October 19, 2019 | 514,121                              |
| April 19, 2020   | 514,121                              |
| October 19, 2020 | 514,121                              |
| <b>Total</b>     | <b>3,084,726</b>                     |

On January 8, 2018, the Company issued 1,000,000 common shares of the Company at \$0.11 per common share for a total value of \$110,000 to acquire equipment (Note 6).

On September 14, 2017, the Company completed its IPO and issued 4,039,600 common shares of the Company at \$0.10 per common share for gross proceeds of \$403,960. In connection with this offering, the Company paid \$69,514 in cash and issued 392,710 agent warrants valued at \$20,901. Each agent warrant entitles the holder to purchase one common share of the Company at \$0.10 per share for a period of 24 months.

On May 9, 2017, the Company issued 1,500,000 common shares of the Company at \$0.10 per common share for a total value of \$150,000 to acquire a 100% interest in a mineral exploration license, the Millen Mountain Property (Note 5).

On March 31, 2017, the Company issued 6,100,000 common shares of the Company at \$0.02 per common share for total proceeds of \$122,000 of which \$2,000 was recorded as a subscription receivable and collected during the year ended March 31, 2018.

On March 31, 2017, the Company issued 125,000 common shares of the Company at \$0.02 per common share for a total value of \$2,500 for geological consulting services for the Millen Mountain Property.

## Legion Metals Corp.

Notes to Financial Statements  
(Expressed in Canadian Dollars)

**March 31, 2018**

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### 7. Share Capital (Continued)

#### Stock Options

The Company has adopted a stock option plan (the “Plan”) pursuant to which it may from time to time, in its discretion, and in accordance with CSE requirements, grant to directors, officers, and consultants to the Company, non-transferable options to purchase common shares of the Company and is the basis for the Company’s long term incentive scheme. The Plan is administered by the Board, or if appointed, by a special committee of directors appointed from time to time by the Board. The maximum number of common shares issuable under the Plan shall not exceed 10% of the number of common shares of the Company issued and outstanding as of each award date, inclusive of all common shares reserved for issuance pursuant to previously granted stock options. The exercise price of options granted under the Plan will not be less than the closing market price of the Company’s common shares on the exchange. The options have a maximum term of 5 years from date of issue.

The following is a summary of the changes in the Company’s stock option plan for the year ended March 31, 2018 and the period ended March 31, 2017:

|                                  | Year ended March 31, 2018 |                                    | Period ended March 31, 2017 |                                    |
|----------------------------------|---------------------------|------------------------------------|-----------------------------|------------------------------------|
|                                  | Number of options         | Weighted average exercise price \$ | Number of options           | Weighted average exercise price \$ |
| Outstanding, beginning of period | -                         | -                                  | -                           | -                                  |
| Expired                          | -                         | -                                  | -                           | -                                  |
| Granted                          | 1,100,000                 | 0.10                               | -                           | -                                  |
| Outstanding, end of period       | 1,100,000                 | 0.10                               | -                           | -                                  |
| Exercisable, end of period       | 1,100,000                 | 0.10                               | -                           | -                                  |

On January 8, 2018 the Company granted stock options to purchase an aggregate of 400,000 common shares, valued at \$33,000, at an exercise price of \$0.11 for a term of 5 years (Note 6).

On May 1, 2017 the Company granted stock options to purchase an aggregate of 700,000 common shares, valued at \$7,000, to directors and officers of the Company at an exercise price of \$0.10 for a term of 5 years.

The weighted average fair value of the options granted during the year ended March 31, 2018 was estimated at \$0.04 (March 31, 2017 - \$nil) per option at the grant date using the Black-Scholes Option Pricing Model using the following assumptions: no expected dividends to be paid; volatility of 100% based on industry standard for comparable companies without a historical volatility; risk-free interest rate of 1.4%; and expected life of 5 years.

## Legion Metals Corp.

Notes to Financial Statements  
(Expressed in Canadian Dollars)

March 31, 2018

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### 7. Share Capital (Continued)

#### Stock Options (Continued)

| Exercise price | Expiry date     | Number of options<br>outstanding and<br>exercisable<br>\$ | Weighted-average<br>remaining<br>contractual life<br>(years) |
|----------------|-----------------|---|--|
| \$0.10         | May 1, 2022     | 700,000   | 4.09   |
| \$0.11         | January 8, 2023 | 400,000   | 4.78   |
| Total          |                 | 1,100,000   | 4.34   |

#### Share Purchase Warrants

|                                  | Year ended March 31, 2018               |   | Period ended March 31, 2017             |   |
|----------------------------------|---|---|---|---|
|                                  | Number of<br>share purchase<br>warrants | Weighted<br>average<br>exercise price<br>\$ | Number of<br>share purchase<br>warrants | Weighted<br>average<br>exercise price<br>\$ |
| Outstanding, beginning of period | -                                       | -   | -                                       | -   |
| Exercised                        | -                                       | -   | -                                       | -   |
| Issued - finders' warrants       | 392,710                                 | 0.10  | -                                       | -   |
| Outstanding, end of period       | 392,710                                 | 0.10  | -                                       | -   |

The weighted average fair value of the finders' warrants granted during the year ended March 31, 2018 was estimated at \$0.05 (March 31, 2017 - \$nil) per warrant at the grant date using the Black-Scholes Pricing Model using the following assumptions: no expected dividends to be paid; volatility of 100% based on industry standard for comparable companies without a historical volatility; risk-free interest rate of 2.45%; and expected life of 2 years.

| Number of<br>warrants<br>outstanding | Weighted average<br>exercise price | Expiry dates       | Weighted average<br>remaining life (years) |
|--------------------------------------|------------------------------------|--------------------|--|
| 392,710                              | \$0.10                             | September 14, 2019 | 1.46                                       |

## Legion Metals Corp.

Notes to Financial Statements  
(Expressed in Canadian Dollars)

**March 31, 2018**

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### 8. Related Party Transactions

#### Key management personnel compensation

Key management personnel includes officers and directors of the Company and companies controlled by them. The remuneration of directors and other members of key management are as follows:

|                          | <b>For the year<br/>ended<br/>March 31,<br/>2018<br/>\$</b> | <b>For the<br/>period<br/>ended<br/>March 31,<br/>2017<br/>\$</b> |
|--------------------------|---|---|
| Legal                    | 45,331  | -   |
| Accounting               | 6,850   | -   |
| Share-based compensation | 7,000   | -   |
|                          | <u>59,181</u>   | <u>-</u>  |

As at March 31, 2018, the Company had \$1,074 (2017 - \$4,400) in accounts payable owing to directors and officers.



## **Legion Metals Corp.**

Notes to Financial Statements  
(Expressed in Canadian Dollars)  
**March 31, 2018**

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### **9. a) Capital Management**

The Company manages its capital structure and makes adjustments to it to effectively support the acquisition, exploration and development of mineral properties and digital asset mining. In the definition of capital, the Company includes, as disclosed on its statement of financial position: share capital, deficit, and reserves.

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 year ended March 31, 2018. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products.

### **b) Financial Instrument Risk and Digital Asset Risk**

#### **Credit risk**

Financial instruments that potentially subject the Company to credit risk consist of cash. The Company manages its credit risk relating to cash by dealing primarily with high-rated financial institutions as determined by rating agencies. The Company also has cash held by an unregulated exchange where funds are unsecured and may be subject to limitation in transfers.

#### **Liquidity risk**

The Company manages liquidity risk by maintaining an adequate level of cash to meet its ongoing obligations. The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future. As at March 31, 2018, the Company had working capital of \$182,086 (2017 – \$108,946).

#### **Digital asset risk**

Digital assets are measured at the lower of cost and NRV. Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is related to the current and future market price of digital assets; in addition, the Company may not be able liquidate its inventory of digital assets at its desired price if required. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its digital assets. Digital assets have a limited history and the fair value historically has been very volatile. Historical performances of digital assets are not indicative of their future price performance.

#### **Other risks**

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant currency risk, interest rate risk and commodity price risk arising from financial instruments.

## Legion Metals Corp.

Notes to Financial Statements  
(Expressed in Canadian Dollars)

**March 31, 2018**

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### 10. Income Taxes

#### Provision for income taxes

The provision (recovery) for income taxes differs from the amount that would have resulted by applying the combined Canadian federal and provincial statutory tax rates of 27.00% (2017 – 26.00%).

|  | <b>For the year<br/>ended<br/>March 31,<br/>2018<br/>\$</b> | <b>For the<br/>period<br/>ended<br/>March 31,<br/>2017<br/>\$</b> |
|--|---|---|
| <u>Loss before income taxes</u>                                | (279,260)   | (15,554)  |
| Expected income tax recovery                                   | (74,000)  | (4,000)   |
| Permanent difference   | 10,000  | -   |
| Change in statutory rates                                      | (1,000)   | -   |
| Share issue costs  | (18,000)  | -   |
| <u>Change in unrecognized deductible temporary differences</u> | 83,000  | 4,000   |
| <u>Income tax recovery</u>                                     | -   | -   |

#### Deferred tax balances

The tax effects of temporary differences that give rise to deferred income tax assets and liabilities are as follows:

|  | <b>As at March<br/>31, 2018<br/>\$</b> | <b>As at March<br/>31, 2017<br/>\$</b> |
|--|--|--|
| <u>Deferred tax assets (liabilities)</u>       |  |  |
| Property and equipment                         | 33,000                                 | -                                      |
| Share issue costs                              | 15,000                                 | -                                      |
| Non-capital losses available for future period | 39,000                                 | 4,000                                  |
|  | 87,000                                 | 4,000                                  |
| <u>Unrecognized deferred tax assets</u>        | (87,000)                               | (4,000)                                |
| <u>Net deferred tax assets</u>                 | -                                      | -                                      |

## Legion Metals Corp.

Notes to Financial Statements  
(Expressed in Canadian Dollars)  
**March 31, 2018**

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### 10. Income Taxes (Continued)

The Company's unrecognized deferred tax assets related to deductible temporary difference and non-capital losses have not been recognized in the financial statements:

|                        | 2018           | 2017          |
|------------------------|----------------|---------------|
|                        | \$             | \$            |
| Property and equipment | 122,000        | -             |
| Share issue costs      | 56,000         | -             |
| Non-capital loss       | 143,000        | 16,000        |
|                        | <b>321,000</b> | <b>16,000</b> |

The non-capital losses noted above expire from 2037 to 2038, the share issue costs expire in 2038 and the property and equipment credits do not expire.

### 11. Cost of Digital Asset Sales

Cost of digital asset sales comprises the following:

|  | 2018          | 2017     |
|--|---------------|----------|
|  | \$            | \$       |
| Consulting related to digital asset mining     | 1,532         | -        |
| Depreciation of digital asset mining equipment | 12,004        | -        |
| Rent expense                                   | 1,600         | -        |
| Utilities                                      | 2,508         | -        |
|  | <b>17,644</b> | <b>-</b> |

### 12. Segmented Information

The Company operates in two business segments being mining exploration of mineral interests and digital asset mining. All sales related to digital asset mining and all capital assets are located in Canada and are further described in Notes 5 and 6.

The Company considers equipment, inventory and sales and cost of sales of digital assets to be a separate cash generating unit.

# **Legion Metals Corp.**

Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

**Legion Metals Corp.**

## Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

|   | As at<br>December 31,<br>2018<br>\$ | As at<br>March 31,<br>2018<br>\$ |
|---|-------------------------------------|----------------------------------|
| <b>Assets</b>   |                                     |                                  |
| <b>Current</b>  |                                     |                                  |
| Cash  | 84,585                              | 188,763                          |
| Restricted cash (Note 5)                              | -                                   | 10,237                           |
| Receivables   | 58,368                              | 10,692                           |
|   | <u>142,953</u>                      | <u>209,692</u>                   |
| <b>Exploration and evaluation properties</b> (Note 6) | 150,000                             | 150,000                          |
| <b>Equipment</b> (Note 7)                             | -                                   | 132,046                          |
|   | <u>150,000</u>                      | <u>132,046</u>                   |
|   | <u>292,953</u>                      | <u>491,738</u>                   |
| <b>Liabilities</b>                                    |                                     |                                  |
| <b>Current</b>  |                                     |                                  |
| Accounts payable and accrued liabilities (Note 9)     | 4,250                               | 27,606                           |
|   | <u>4,250</u>                        | <u>27,606</u>                    |
| <b>Shareholders' Equity</b>                           |                                     |                                  |
| <b>Share capital</b> (Note 8)                         | 698,045                             | 698,045                          |
| <b>Reserves</b> (Note 8)                              | 60,901                              | 60,901                           |
| <b>Deficit</b>  | (470,243)                           | (294,814)                        |
|   | <u>288,703</u>                      | <u>464,132</u>                   |
|   | <u>292,953</u>                      | <u>491,738</u>                   |

Nature and Continuance of Operations (Note 1)

Approved and Authorized by the Board on February 28, 2019:

"Peter Smith" Director"Guy Pinsent" Director

**Legion Metals Corp.**

## Condensed Interim Statement of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

|   | Three<br>months<br>ended<br>December<br>31, 2018 | Three<br>months<br>ended<br>December<br>31, 2017 | Nine months<br>ended<br>December<br>31, 2018 | Nine months<br>ended<br>December<br>31, 2017 |
|---|--|--|--|--|
|   | \$   | \$   | \$   | \$   |
| <b>Digital assets sold</b>  | -  | -  | 21,535                                       | -  |
| <b>Cost of digital assets sold</b> (Note 11)                        | (3,458)  | -  | (58,164)                                     | -  |
|   | (3,458)  | -  | (36,629)                                     | -  |
| <b>Expenses</b>   |  |  |  |  |
| General and administration  | 20,677   | 47   | 15,538                                       | 252  |
| Filing fees   | 9,644  | 7,885  | 20,592                                       | 34,119                                       |
| Property investigation  | 1,600  | -  | 1,600  | 42,639                                       |
| Professional fees (Note 9)  | 17,567   | 9,267  | 37,437                                       | 7,000  |
| Share-based compensation (Note 8 and 9)                             | -  | 3,824  | -  | 3,824  |
|   | (49,488)   | (21,023)   | (75,167)                                     | 87,834                                       |
| Impairment  | (8,716)  | -  | (8,716)                                      | -  |
| Loss on sale of assets  | (54,917)   | -  | (54,917)                                     | -  |
|   | (116,579)  | (21,023)   | (175,429)                                    | (87,834)                                     |
| <b>Loss and comprehensive loss for the period</b>                   | (116,579)  | (21,023)   | (175,429)                                    | (87,834)                                     |
| <b>Loss and comprehensive loss per share,<br/>basic and diluted</b> | (0.01)   | (0.00)   | (0.01)                                       | (0.01)                                       |
| <b>Weighted average number of common<br/>shares outstanding</b>     | 12,764,600                                       | 11,764,600                                       | 12,764,600                                   | 9,099,495                                    |

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

**Legion Metals Corp.**

## Condensed Interim Statement of Cash Flows

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

|  | Nine months<br>ended<br>December 31<br>2018<br>\$ | Nine months<br>ended<br>December 31<br>2017<br>\$ |
|--|---|---|
| <b>Cash provided by (used in)</b>                            |   |   |
| <b>Operating activities</b>                                  |   |   |
| Loss for the period  | (175,429)   | (87,834)  |
| Loss on sale of assets                                       | 54,917  | -   |
| Impairment of restricted cash                                | 8,716   | -   |
| Charges not involving cash                                   |   |   |
| Depreciation   | 24,008  | -   |
| Share-based compensation                                     | -   | 7,000   |
| Changes in operating assets and liabilities:                 |   |   |
| Decrease (increase) in receivables                           | 5,445   | (3,042)   |
| Decrease in restricted cash                                  | 1,521   | -   |
| Increase in prepaid expenses                                 | -   | (176)   |
| Increase in accounts payable and accrued liabilities         | (23,356)  | (13,920)  |
| <b>Cash provided by (used in) operating activities</b>       | <u>(104,178)</u>                                  | <u>(97,972)</u>                                   |
| <b>Financing activities</b>                                  |   |   |
| Decrease in share subscription receivable                    | -   | 2,000   |
| Proceeds from issuance of common shares                      | -   | 332,846   |
| <b>Cash provided by financing activities</b>                 | <u>-</u>  | <u>334,846</u>                                    |
| <b>Change in cash</b>  | (114,415)   | 236,874   |
| <b>Cash, beginning of period</b>                             | <u>199,000</u>                                    | <u>121,866</u>                                    |
| <b>Cash, end of period</b>                                   | <u>84,585</u>                                     | <u>358,740</u>                                    |
| <b>Cash paid for:</b>  |   |   |
| Warrants issued as commission for IPO, netted against equity | \$nil   | \$20,901  |
| Common shares issued for property (Note 6)                   | \$nil   | \$150,000   |

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

**Legion Metals Corp.**

## Condensed Interim Statement of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

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|   | Common<br>Shares  | Share Capital<br>\$ | Reserves<br>\$ | Deficit<br>\$    | Total<br>Equity<br>\$ |
|---|-------------------|---------------------|----------------|------------------|-----------------------|
| <b>Balance at March 31, 2017</b>              | <b>6,225,000</b>  | <b>124,500</b>      | -              | <b>(15,554)</b>  | <b>108,946</b>        |
| Share-based compensation                      | -                 | -                   | 7,000          | -                | 7,000                 |
| Common shares issued for exploration property | 1,500,000         | 150,000             | -              | -                | 150,000               |
| Common shares issued for cash – IPO           | 4,039,600         | 403,960             | -              | -                | 403,960               |
| Share issuance cost - IPO                     | -                 | (90,415)            | 20,901         | -                | (69,514)              |
| Loss for the period                           | -                 | -                   | -              | (87,834)         | (87,834)              |
| <b>Balance at December 31, 2017</b>           | <b>11,764,600</b> | <b>588,045</b>      | <b>27,901</b>  | <b>(103,388)</b> | <b>512,558</b>        |
| <b>Balance at March 31, 2018</b>              | <b>12,764,600</b> | <b>698,045</b>      | <b>60,901</b>  | <b>(294,814)</b> | <b>464,132</b>        |
| Loss for the period                           | -                 | -                   | -              | (175,429)        | (175,429)             |
| <b>Balance at December 31, 2018</b>           | <b>12,764,600</b> | <b>698,045</b>      | <b>60,901</b>  | <b>(470,243)</b> | <b>288,703</b>        |

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



## **Legion Metals Corp.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### **1. Nature and Continuance of Operations**

Legion Metals Corp. (the “Company”) was incorporated under the laws of the province of British Columbia on December 8, 2016. On December 12, 2017, the Company completed its initial public offering (“IPO”) (Note 8) and is now publicly traded on the Canadian Securities Exchange (“CSE”) under the ticker LEGN. The Company is a mining exploration company that is exploring for gold and other precious metals in Nova Scotia. In January 2018, the Company acquired assets for the purpose of generating digital assets; however, all digital assets and related equipment were written off and disposed of in December 2018 (Note 7).

The Company’s registered and records office is 1090 West Georgia Street, Suite 600, Vancouver, British Columbia, V6E 3V7.

The business of mining and exploring for minerals and digital asset mining involves a high degree of risk and there can be no assurance that the Company will obtain the necessary financing to complete the exploration and development of mineral property interests, or that the current or future exploration and development programs of the Company will result in profitable mining operations. In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments, including conducting minimum exploration and evaluation programs and paying for general and administrative expenses. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

On August 27, 2018 the Company entered into a binding letter of intent (“LOI”) with Nextleaf Solutions Ltd. (“Nextleaf”), a private company, under which the Company will acquire all of the issued and outstanding shares of Nextleaf in a reverse takeover transaction by way of plan of arrangement (the “Transaction”). The Company and Nextleaf intend to negotiate and execute a definitive agreement (the “Definitive Agreement”) respecting the Transaction. The Transaction is a “fundamental change” under the policies of the Canadian Securities Exchange. It is a condition to closing the Transaction that Nextleaf will complete a private placement equity financing (the “Private Placement”) having gross proceeds of no less than \$3,000,000 and of no more than \$7,000,000 (subject to the Over Allotment Option). On closing, depending on the size of the Private Placement (and subject to, if applicable, the Over-Allotment Option), it is anticipated that Nextleaf shareholders will hold between 95.5% and 97% of the shares of the resulting issuer (the “Resulting Issuer”), and the Company’s shareholders will hold an aggregate of 3,647,029 shares of the Resulting Issuer, representing between 3.0% and 4.5% of the shares of the Resulting Issuer. Following closing, the outstanding options and warrants to purchase shares of the Company and Nextleaf will represent options and warrants to purchase shares of the Resulting Issuer, with the number of shares issuable upon exercise and the exercise price adjusted to reflect the terms of the Transaction. On closing of the Transaction, it is anticipated that the Company will change its name to “Nextleaf Solutions Ltd.” and will carry on with the development of Nextleaf’s cannabis extraction technology business.

## **Legion Metals Corp.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### **2. Statement of compliance and basis of presentation**

The condensed interim financial statements of the Company were approved and authorized for issue by the Board of Directors on February 28, 2019.

The Company's condensed interim financial statements have been prepared on the historical cost basis except for certain financial statements which are measured at fair value, as explained in Note 3, and are presented in Canadian dollars except where otherwise indicated.

The condensed interim financial statements of the Company, have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

#### **Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34) as issued by the International Accounting Standards Board. Condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company for the year ended March 31, 2018. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements as at and for the year ended March 31, 2018.

### **3. Summary of Significant Accounting Policies**

#### **Significant accounting judgments, estimates and assumptions**

The preparation of the Company's condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of judgement include the assessment of the Company's ability to continue as a going concern as discussed in Note 1 involves judgment regarding future funding available for its operations and working capital requirements. The selection of appropriate accounting policy related digital assets inventory and the sale of digital assets requires significant judgement as currently no specific IFRS directly addresses digital assets.

Areas requiring a significant degree of estimation include the fair value measurements for financial instruments and share-based payments, the valuation of all liability and equity instruments, the valuation and recognition of digital asset inventories and the value and useful life of equipment. Actual results may differ from those estimates.

## **Legion Metals Corp.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **Significant accounting judgments, estimates and assumptions (Continued)**

These condensed interim financial statements have been prepared on a basis which assumes 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 operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

#### **Cash**

Cash is defined as cash on hand, cash held in trust and in bank.

#### **Equipment**

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. A prorated amount of depreciation is recorded in the year of acquisition or disposition, based on the number of months the equipment is in use.

The Company's equipment is depreciated on a straight-line basis over three years. Estimated useful lives are reviewed by management and adjusted if necessary.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

#### **Exploration and evaluation properties**

Acquisition costs for exploration and evaluation assets include the cash consideration and the fair value of equity instruments issued for exploration and evaluation assets pursuant to agreement terms. Exploration and evaluation expenditures are expensed. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Option payments received are treated as a reduction of the carrying value of the related exploration and evaluation properties and deferred costs until the receipts are in excess of costs incurred, at which time they are credited to income. Option payments are at the discretion of the optionee, and accordingly, are recorded on a cash basis.

## **Legion Metals Corp.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **Exploration and evaluation properties (Continued)**

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use at that time.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment. Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

#### **Decommissioning, restoration and similar liabilities**

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties and retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future cost estimates arising from the decommissioning of plant, site restoration work and other similar retirement activities is added to the carrying amount of the related asset and depreciated on the same basis as the related asset, along with a corresponding increase in the provision in the period incurred. Discount rates using a pre-tax rate that reflect the current market assessments of the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the provision.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period. The net present value of reclamation costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of reclamation projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation properties.

## **Legion Metals Corp.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **Digital assets**

Digital assets consist of cryptocurrency denominated assets. Digital assets are recognized in accordance with IAS 2 as inventory measured at the lower of cost and net realizable value (“NRV”). The cost consists of direct costs attributable to mining the digital asset. Upon conversion of digital assets for other currencies, proceeds are recognized as a sale for the period. As at this reporting date, there is no formal IFRS standard for digital assets; however, digital assets meet specific accounting criteria to be held as inventories.

The digital asset market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital assets would have an impact on the Company’s earnings and financial position.

#### **Recognition of digital asset sales**

The Company recognizes sales in accordance with IFRS 15 (see Changes in Accounting Policies below for details on the transition to new standard), based on consideration received on digital asset inventory, which it receives from providing transaction verification services within digital currency networks, commonly termed “cryptocurrency mining”. As consideration for these services, the Company receives digital assets from each specific network in which it participates (“coins”) and the cost of mining these digital assets are recorded as inventory. A sale is recognized upon conversion of the digital asset to another currency such as cash.

There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for the production and mining of digital currencies and management has exercised significant judgement in determining appropriate accounting treatment for the recognition of revenue for mining of digital currencies. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which could result in a change in the Company’s financial position and earnings.

## **Legion Metals Corp.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **Earnings (loss) per share**

Basic earnings (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period.

Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that (i) net earnings (loss) attributable to common shareholders are adjusted for fair value gains or losses of warrants (if dilutive) and (ii) the weighted average number of common shares outstanding is adjusted for the number of shares that are potentially issuable in connection with stock options and warrants (if dilutive). Under this method, the Company assumes that outstanding dilutive stock options and warrants were exercised and that the proceeds from such exercises (after adjustment of any unvested portion of stock options) were used to acquire common stock at the average market price during the reporting periods. For the period presented, this calculation proved to be anti-dilutive.

#### **Income taxes**

##### *Current income tax:*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income (loss) or equity is recognized in other comprehensive income (loss) or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred income tax:*

Deferred income tax is provided for, based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

## **Legion Metals Corp.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### **3. Summary of Significant Accounting Policies (Continued)**

#### **Share capital**

Common shares are included as shareholders' equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from shareholders' equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded as warrant reserve.

#### **Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments on the date of grant. Fair value is measured using the Black-Scholes option pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed as services are rendered over the vesting period, based on the Corporation's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. For share-based payment awards with non-market vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no-true-up for differences between expected and actual outcomes.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

#### **Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

#### **Accounting standards issued but not yet effective**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

## **Legion Metals Corp.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### **3. Summary of Significant Accounting Policies (Continued)**

**Effective for annual periods beginning on or after January 1, 2019**

#### **IFRS 16, *Leases***

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

#### **IFRIC 23 – Uncertainty Over Income Tax Treatments:**

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.



## **Legion Metals Corp.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### **4. Changes in Accounting Policies**

#### **IFRS 9**

Effective April 1, 2018, the Company adopted IFRS 9 Financial instruments. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39, Financial Instruments: recognition and measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no impact on the Company's financial statements. As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's March 31, 2018 consolidated financial statements has been updated as described below.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

#### *Recognition*

The Company recognizes a financial asset or financial liability on the statement of financial position when it become party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

#### *Classification and Measurement*

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- i) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
- ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

## **Legion Metals Corp.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

---

### **4. Changes in Accounting Policies (Continued)**

The classification and measurement bases of the Company's financial instruments as at April 1, 2018 as a result of adopting IFRS 9 (along with comparison to IAS 39) are as follows:

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost;
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

#### *Impairment*

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

### **IFRS 15**

Effective April 1, 2018, the Company has adopted IFRS 15 Revenue from Contracts with Customers. This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time; or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The standard was applied using a modified retrospective approach whereby the effects of the change in the accounting policy for revenue as at April 1, 2018 is presented as a single adjustment to the opening deficit. Upon adoption there was no impact as the Company had no uncompleted contracts as at April 1, 2018.

## Legion Metals Corp.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### 5. Financial Instruments

#### Categories of financial instruments

The fair value of financial assets and financial liabilities at amortized cost is based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

|  | As at<br>December<br>31, 2018 | As at<br>March<br>31, 2018 |
|--|-------------------------------|----------------------------|
|  | \$                            | \$                         |
| <b>FINANCIAL ASSETS</b>                  |                               |                            |
| <b>FVTPL, at fair value</b>              |                               |                            |
| Cash                                     | 84,585                        | 188,763                    |
| Restricted cash                          | -                             | 10,237                     |
| <b>Amortized cost</b>                    |                               |                            |
| <b>Receivables</b>                       |                               |                            |
| Receivables                              | 58,368                        | 10,692                     |
| <b>Total financial assets</b>            | <b>142,953</b>                | <b>209,692</b>             |
| <b>FINANCIAL LIABILITIES</b>             |                               |                            |
| <b>Amortized cost</b>                    |                               |                            |
| Accounts payable and accrued liabilities | 4,250                         | 27,606                     |
| <b>Total financial liabilities</b>       | <b>4,250</b>                  | <b>27,606</b>              |

## Legion Metals Corp.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### 5. Financial Instruments (Continued)

Restricted cash consists of amounts held by a cryptocurrency exchange awaiting transfer to a chartered bank account. During the nine months ended December 31, 2018, all digital assets were written off due to a lawsuit with the cryptocurrency exchange and uncertainty regarding the recovery and recognition of future economic benefits from the assets.

|  | <b>Fair value hierarchy</b> | <b>FVIPL, at fair value</b> | <b>Amortized cost</b> |
|--|-----------------------------|-----------------------------|-----------------------|
| <b>As at December 31, 2018</b>           |                             |                             |                       |
| Cash                                     | Level 1                     | 84,585                      | -                     |
| Receivables                              | N/A                         | -                           | 58,368                |
| Accounts payable and accrued liabilities | N/A                         | -                           | 4,250                 |
|  | <b>Fair value hierarchy</b> | <b>FVIPL, at fair value</b> | <b>Amortized cost</b> |
| <b>As at March 31, 2018</b>              |                             |                             |                       |
| Cash                                     | Level 1                     | 188,763                     | -                     |
| Restricted cash                          | Level 1                     | 10,237                      | -                     |
| Receivables                              | N/A                         | -                           | 10,692                |
| Accounts payable and accrued liabilities | N/A                         | -                           | 27,606                |

There were no transfers between Level 1, 2 and 3 during the periods ended December 31, 2018 or March 31, 2018.

### 6. Exploration and Evaluation Properties

The Company's exploration and evaluation properties expenditures for the periods ended December 31, 2018 and March 31, 2018 were as follows:

|                                   | <b>Millen Mountain</b> | <b>Total</b>   |
|-----------------------------------|------------------------|----------------|
|                                   | <b>\$</b>              | <b>\$</b>      |
| <b>ACQUISITION COSTS</b>          |                        |                |
| Balance, March 31, 2018           | 150,000                | 150,000        |
| Additions                         | -                      | -              |
| <b>Balance, December 31, 2018</b> | <b>150,000</b>         | <b>150,000</b> |

During the year ended March 31, 2018 the Company acquired a 100% interest in a mineral exploration license located in Nova Scotia (the "Millen Mountain Property") from Beja Resources Inc., a related party by way of common directors, in April 2017. As consideration the Company issued 1,500,000 common shares valued at \$150,000 to Beja Resources Inc. on May 9, 2017 (Note 8).

## Legion Metals Corp.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### 6. Exploration and Evaluation Properties (Continued)

During the year ended March 31, 2018 the Company entered into an agreement, subsequently amended, with Probe Metals Inc. (“Probe”) to grant the option to acquire 75% of the Millen Mountain Property. In order to exercise the option, Probe shall, within 18 months, incur expenditures on the property in the amount of \$250,000, and thereafter Probe will have the right to earn an additional 25% interest in the Property (for an aggregate 75% interest) by incurring an additional \$250,000 in exploration expenditures (for an aggregate of \$500,000 in exploration expenditures) by October 2019. The property is subject to 2% net smelter royalty interest.

During the period ended, December 31, 2018, Probe gave notice they had completed the initial \$250,000 of expenditures on the Millen Mountain Property.

### 7. Equipment

|                            | <b>Equipment</b> |
|----------------------------|------------------|
|                            | <b>\$</b>        |
| <b>COST</b>                |                  |
| Balance, March 31, 2017    | -                |
| Additions                  | 287,050          |
| Balance, March 31, 2018    | 287,050          |
| Disposals                  | (287,050)        |
| Balance, December 31, 2018 | -                |
| <b>DEPRECIATION</b>        |                  |
| Balance, March 31, 2017    | -                |
| Depreciation               | 12,004           |
| Balance, March 31, 2018    | 12,004           |
| Depreciation               | 24,008           |
| Disposals                  | (36,012)         |
| Balance, December 31, 2018 | -                |
| <b>IMPAIRMENT</b>          |                  |
| Balance, March 31, 2018    | 143,000          |
| Impairment                 | -                |
| Disposals                  | (143,000)        |
| Balance, December 31, 2018 | -                |
| <b>NET BOOK VALUE</b>      |                  |
| Balance, March 31, 2017    | -                |
| Balance, March 31, 2018    | 132,046          |
| Balance, December 31, 2018 | -                |

(1) Depreciation is included in cost of digital assets sold for the period ended December 31, 2018, in full.

## Legion Metals Corp.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### 7. Equipment (Continued)

During the nine months ended December 31, 2018, the Company disposed of all computer equipment related to the development of digital assets with a net book value of \$108,038 for gross proceeds of \$53,121. The Company recognized a loss on disposal of the equipment in the amount of \$45,917 and is no longer earning digital assets.

During the year ended March 31, 2018 the Company acquired computer equipment in exchange for cash of \$144,050, 1,000,000 common shares valued at \$110,000, and 400,000 stock options valued at \$33,000 (Note 8). The equipment was acquired to enable the Company to earn digital assets.

During the same year ended March 31, 2018, \$143,000 in equipment was written down due to uncertainties of economic benefit within the digital currency industry.

### 8. Share Capital

#### Authorized

The total authorized capital are an unlimited number of common shares with no par value.

#### Issued and Outstanding

As of December 31, 2018, 2,056,484 shares were held in escrow. The shares held in escrow are to be release according to the following schedule:

| <u>Date</u>      | <u>Number of shares<br/>released</u> |
|------------------|--------------------------------------|
| April 19, 2019   | 514,121                              |
| October 19, 2019 | 514,121                              |
| April 19, 2020   | 514,121                              |
| October 19, 2020 | 514,121                              |
| <b>Total</b>     | <b>2,056,484</b>                     |

On January 8, 2018, the Company issued 1,000,000 common shares of the Company at \$0.11 per common share for a total value of \$110,000 to acquire equipment (Note 7).

On September 14, 2017, the Company completed its IPO and issued 4,039,600 common shares of the Company at \$0.10 per common share for gross proceeds of \$403,960. In connection with this offering, the Company paid \$69,514 in cash and issued 392,710 agent warrants valued at \$20,901. Each agent warrant entitles the holder to purchase one common share of the Company at \$0.10 per share for a period of 24 months.

On May 9, 2017, the Company issued 1,500,000 common shares of the Company at \$0.10 per common share for a total value of \$150,000 to acquire a 100% interest in a mineral exploration license, the Millen Mountain Property (Note 6).

## Legion Metals Corp.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### 8. Share Capital (Continued)

#### Stock Options

The Company has adopted a stock option plan (the “Plan”) pursuant to which it may from time to time, in its discretion, and in accordance with CSE requirements, grant to directors, officers, and consultants to the Company, non-transferable options to purchase common shares of the Company and is the basis for the Company’s long term incentive scheme. The Plan is administered by the Board, or if appointed, by a special committee of directors appointed from time to time by the Board. The maximum number of common shares issuable under the Plan shall not exceed 10% of the number of common shares of the Company issued and outstanding as of each award date, inclusive of all common shares reserved for issuance pursuant to previously granted stock options. The exercise price of options granted under the Plan will not be less than the closing market price of the Company’s common shares on the exchange. The options have a maximum term of 5 years from date of issue.

The following is a summary of the changes in the Company’s stock option plan for the nine months ended December 31, 2018 and the year ended March 31, 2018:

|                                  | <b>Nine months ended December<br/>31, 2018</b> |   | <b>Year ended March 31,<br/>2018</b> |   |
|----------------------------------|--|---|--------------------------------------|---|
|                                  | <b>Number of<br/>options</b>                   | <b>Weighted<br/>average exercise<br/>price<br/>\$</b> | <b>Number of<br/>options</b>         | <b>Weighted<br/>average<br/>exercise price<br/>\$</b> |
| Outstanding, beginning of period | 1,100,000                                      | 0.06  | -                                    | -   |
| Expired                          | 400,000  | 0.04  | -                                    | -   |
| Granted                          | -  | -   | 1,100,000                            | 0.10  |
| Outstanding, end of period       | 700,000  | 0.10  | 1,100,000                            | 0.10  |
| Exercisable, end of period       | 700,000  | 0.10  | 1,100,000                            | 0.10  |

During the nine months ending December 31, 2018, no options were exercise and 400,000 options expired per exercise period departure terms of the Company’s stock option plan.

On January 8, 2018 the Company granted stock options to purchase an aggregate of 400,000 common shares, valued at \$33,000, at an exercise price of \$0.11 for a term of 5 years (Note 7).

On May 1, 2017 the Company granted stock options to purchase an aggregate of 700,000 common shares, valued at \$7,000, to directors and officers of the Company at an exercise price of \$0.10 for a term of 5 years.

No options were granted during the nine months ended December 31, 2018.

## Legion Metals Corp.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### 8. Share Capital (Continued)

#### Stock Options (Continued)

| Exercise price | Expiry date | Number of options<br>outstanding and<br>exercisable<br>\$ | Weighted-average<br>remaining<br>contractual life<br>(years) |
|----------------|-------------|---|--|
| \$0.10         | May 1, 2022 | 700,000   | 3.33   |
| Total          |             | 700,000   | 3.33   |

#### Share Purchase Warrants

|                                  | Nine months ended December<br>31, 2018  |   | Year ended March 31,<br>2018               |   |
|----------------------------------|---|---|--|---|
|                                  | Number of<br>share purchase<br>warrants | Weighted<br>average<br>exercise price<br>\$ | Number of<br>share<br>purchase<br>warrants | Weighted<br>average<br>exercise price<br>\$ |
| Outstanding, beginning of period | 392,710                                 | 0.10  | -  | -   |
| Issued - finders' warrants       | -                                       | -   | 392,710                                    | 0.10  |
| Outstanding, end of period       | 392,710                                 | 0.10  | 392,710                                    | 0.10  |

No warrants were granted during the nine months ended December 31, 2018.

| Number of<br>warrants<br>outstanding | Weighted average<br>exercise price | Expiry dates       | Weighted average<br>remaining life (years) |
|--------------------------------------|------------------------------------|--------------------|--|
| 392,710                              | \$0.10                             | September 14, 2019 | 0.70                                       |



## Legion Metals Corp.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### 9. Related Party Transactions

#### Key management personnel compensation

Key management personnel includes officers and directors of the Company and companies controlled by them. The remuneration of directors and other members of key management are as follows:

|                          | <b>For the nine<br/>months ended<br/>December 31,<br/>2018</b> | <b>For the nine<br/>months ended<br/>December 31,<br/>2017</b> |
|--------------------------|--|--|
|                          | <b>\$</b>  | <b>\$</b>  |
| Legal                    | 22,627   | -  |
| Accounting               | 12,100   | 3,000  |
| Share-based compensation | -  | 7,000  |
|                          | <b>34,727</b>  | <b>10,000</b>  |

As at December 31, 2018, the Company had \$nil (March 31, 2018 - \$1,074) in accounts payable and accruals owing to directors and officers.

## **Legion Metals Corp.**

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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### **10. a) Capital Management**

The Company manages its capital structure and makes adjustments to it to effectively support the acquisition, exploration and development of mineral properties and digital asset mining. In the definition of capital, the Company includes, as disclosed on its statement of financial position: share capital, deficit, and reserves.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. There were no changes in the Company's approach to capital management during the nine months ended December 31, 2018.

### **b) Financial Instrument Risk and Digital Asset Risk**

#### **Credit risk**

Financial instruments that potentially subject the Company to credit risk consist of cash and restricted cash. The Company manages its credit risk relating to cash by dealing primarily with high-rated financial institutions as determined by rating agencies.

#### **Liquidity risk**

The Company manages liquidity risk by maintaining an adequate level of cash to meet its ongoing obligations. The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future. As at December 31, 2018, the Company had working capital of \$138,703.

#### **Digital asset risk**

Digital assets are measured at the lower of cost and net realizable value. Digital currency prices are affected by various forces including global supply and demand, interest rates, exchange rates, inflation or deflation and the global political and economic conditions. The profitability of the Company is related to the current and future market price of digital assets; in addition, the Company may not be able liquidate its inventory of digital assets at its desired price if required. A decline in the market prices for digital assets could negatively impact the Company's future operations. The Company has not hedged the conversion of any of its digital assets. Digital assets have a limited history and the fair value historically has been very volatile. Historical performances of digital assets are not indicative of their future price performance. During the nine months ended December 31, 2018, the Company wrote off all digital currency assets.

#### **Other risks**

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant currency risk, interest rate risk and price risk arising from financial instruments.

### **11. Cost of Digital Asset Sales**

## Legion Metals Corp.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**December 31, 2018**

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Cost of digital asset sales comprises the following:

|  | Nine months<br>ended December<br>31, 2018 | Nine months<br>ended December<br>31, 2017 |
|--|---|---|
|  | \$  | \$  |
| Consulting related to digital asset mining     | 22,576                                    | -   |
| Depreciation of digital asset mining equipment | 24,008                                    | -   |
| Rent expense                                   | 2,717                                     | -   |
| Utilities                                      | 8,863                                     | -   |
|  | 58,164                                    | -   |

### 12. Segmented Information

The Company operates in two business segments being exploration of mineral interests and digital asset mining. All sales related to digital asset mining and all capital assets are located in Canada and are further described in Notes 6 and 7.

The Company considers equipment, inventory and sales and cost of sales of digital assets to be a separate cash generating unit.

# **Nextleaf Solutions Ltd.**

Financial Statements

**September 30, 2018**

(Expressed in Canadian Dollars)

## INDEPENDENT AUDITORS' REPORT

To the Directors of  
Nextleaf Solutions Ltd.

We have audited the accompanying financial statements of Nextleaf Solutions Ltd., which comprise the statements of financial position as at September 30, 2018 and 2017 and the statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of Nextleaf Solutions Ltd. as at September 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Nextleaf Solutions Ltd.'s ability to continue as a going concern.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

March 14, 2019

**Nextleaf Solutions Ltd.**  
**Statements of Financial Position**  
**(Expressed in Canadian Dollars)**  
**As at**

|   | Note | September 30, 2018 | September 30, 2017 |
|---|------|--------------------|--------------------|
| <b>ASSETS</b>                               |      |                    |                    |
| <b>Current</b>                              |      |                    |                    |
| Cash  |      | \$ 837,604         | \$ 342,572         |
| Receivables                                 | 4    | 99,276             | 203,881            |
| Prepaid expenses and advances               | 5    | 142,380            | 81,235             |
| Due from related parties                    | 5,8  | 102,773            | 100,000            |
| Subscriptions receivable                    | 7    | 855,768            | 74,495             |
|   |      | <u>2,037,801</u>   | <u>802,183</u>     |
| <b>Promissory note receivable</b>           | 14   | 55,000             | -                  |
| <b>Equipment deposits</b>                   | 6    | 65,704             | 336,996            |
| <b>Equipment</b>                            | 6    | <u>2,904,944</u>   | <u>869,053</u>     |
|   |      | <u>3,025,648</u>   | <u>1,206,049</u>   |
|   |      | \$ 5,063,449       | \$ 2,008,232       |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |      |                    |                    |
| <b>Current</b>                              |      |                    |                    |
| Accounts payable and accrued liabilities    | 8    | \$ 749,833         | \$ 141,681         |
| Promissory note payable                     | 6    | -                  | 2,462              |
|   |      | <u>749,833</u>     | <u>144,143</u>     |
| <b>SHAREHOLDERS' EQUITY</b>                 |      |                    |                    |
| Share capital                               | 7    | 6,989,747          | 1,982,637          |
| Warrant reserve                             | 7    | 37,500             | 48,320             |
| Subscriptions received in advance           | 7    | -                  | 342,645            |
| Deficit                                     |      | <u>(2,713,631)</u> | <u>(509,513)</u>   |
|   |      | <u>4,313,616</u>   | <u>1,864,089</u>   |
|   |      | \$ 5,063,449       | \$ 2,008,232       |
| <b>Nature and Continuance of Operations</b> | 1    |                    |                    |
| <b>Commitment</b>                           | 17   |                    |                    |
| <b>Subsequent Events</b>                    | 18   |                    |                    |

Approved and Authorized by the Board on March 11, 2019:

"Paul Pedersen" Director

"Charles Ackerman" Director

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

## Nextleaf Solutions Ltd.

### Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

For the years ended

|  | Note | September 30, 2018    | September 30, 2017  |
|--|------|-----------------------|---------------------|
| <b>Revenue</b>   |      |                       |                     |
| Processing services  |      | \$ 396,172            | \$ 119,760          |
| Equipment sales  |      | 127,236               | -                   |
|  |      | <u>523,408</u>        | <u>119,760</u>      |
| <b>Cost of sales</b>   | 12   | <u>(640,631)</u>      | <u>(267,001)</u>    |
|  |      | (117,223)             | (147,241)           |
| <b>Expenses</b>  |      |                       |                     |
| General and administration                                       | 11   | 718,694               | 34,003              |
| Income from Government grant                                     | 15   | (8,855)               | -                   |
| Professional fees and consulting                                 | 8    | 1,150,175             | 231,022             |
| Sales and marketing  |      | 199,881               | 92,222              |
| Share-based payments   | 7    | 27,000                | -                   |
|  |      | <u>(2,086,895)</u>    | <u>(357,247)</u>    |
| <b>Loss and comprehensive loss for the year</b>                  |      | <u>\$ (2,204,118)</u> | <u>\$ (504,488)</u> |
| <b>Loss and comprehensive loss per share - basic and diluted</b> |      | <u>\$ (0.04)</u>      | <u>\$ (0.01)</u>    |
| <b>Weighted average number of common shares outstanding</b>      |      | <u>59,244,557</u>     | <u>33,656,825</u>   |

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



**Nextleaf Solutions Ltd.**  
**Statements of Cash Flows**  
(Expressed in Canadian Dollars)  
For the years ended

|   | Note  | September 30, 2018 | September 30, 2017 |
|---|-------|--------------------|--------------------|
| <b>Cash flows used in operating activities</b>      |       |                    |                    |
| Loss for the year                                   |       | \$ (2,204,118)     | \$ (504,488)       |
| Items not involving cash:                           |       |                    |                    |
| Depreciation  | 11,12 | 297,056            | 181,290            |
| Share-based payments                                |       | 27,000             | -                  |
| Accrued interest - due from related parties         |       | (5,235)            | -                  |
| Accrued receivable - income from government grant   |       | (4,243)            | -                  |
| Changes in non-cash working capital:                |       |                    |                    |
| Receivables   |       | 108,848            | (203,881)          |
| Prepaid expenses and advances                       |       | (61,145)           | (81,235)           |
| Due from related parties                            |       | -                  | (100,000)          |
| Accounts payable and accrued liabilities            |       | 384,136            | 75,982             |
|   |       | <u>(1,457,701)</u> | <u>(632,332)</u>   |
| <b>Cash flows used in investing activities</b>      |       |                    |                    |
| Issuance of promissory note receivable              |       | (55,000)           | -                  |
| Purchases of equipment                              |       | (1,622,909)        | (351,122)          |
| Equipment deposits                                  |       | (9,704)            | (336,996)          |
|   |       | <u>(1,687,613)</u> | <u>(688,118)</u>   |
| <b>Cash flows from financing activities</b>         |       |                    |                    |
| Subscriptions received                              |       | -                  | 342,645            |
| Repayment of promissory note                        |       | -                  | (125,000)          |
| Issuance of common shares, net of share issue costs |       | 3,640,346          | 1,445,377          |
|   |       | <u>3,640,346</u>   | <u>1,663,022</u>   |
| <b>Change in cash</b>                               |       | <b>495,032</b>     | <b>342,572</b>     |
| <b>Cash, beginning of year</b>                      |       | <b>342,572</b>     | <b>-</b>           |
| <b>Cash, end of year</b>                            |       | <b>\$ 837,604</b>  | <b>\$ 342,572</b>  |

**Supplemental disclosure of significant non-cash investing and financing activities:**

|   |  |            |            |
|---|--|------------|------------|
| Promissory note issued for equipment  |  | \$ -       | \$ 127,462 |
| Common shares issued for equipment  |  | \$ -       | \$ 571,759 |
| Share issue costs included in accounts payable and accrued liabilities      |  | \$ -       | \$ 63,683  |
| Purchases of equipment included in accounts payable and accrued liabilities |  | \$ 429,042 | \$ -       |
| Finders' units – included in share issue costs                              |  | \$ 450,000 | \$ 42,400  |
| Finders' warrants – included in share issue costs                           |  | \$ 37,500  | \$ 48,320  |
| Transfer of equipment deposits to equipment                                 |  | \$ 280,996 | \$ -       |
| Reduction of subscriptions received in advance on issuance of common shares |  | \$ 342,645 | \$ -       |
| Subscriptions receivable  |  | \$ 855,768 | \$ 74,495  |
| Transfer of warrant reserve on exercise of warrants                         |  | \$ 45,376  | \$ -       |
| Transfer of warrant reserve on expiry of warrants                           |  | \$ 2,944   | \$ -       |

During the years ended September 30, 2018 and September 30, 2017, no amounts were paid for interest or income tax expenses.

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

## Nextleaf Solutions Ltd.

### Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

For the years ended

|  | Common Shares | Share Capital | Warrant Reserve | Subscriptions received in advance | Deficit        | Total        |
|--|---------------|---------------|-----------------|-----------------------------------|----------------|--------------|
| <b>Balance at September 30, 2016</b>               | 11,250,000    | \$ 5,000      | \$ -            | \$ -                              | \$ (7,016)     | \$ (2,016)   |
| Shares returned to treasury                        | (4,479,170)   | (1,991)       | -               | -                                 | 1,991          | -            |
| Shares issued for cash                             | 14,635,000    | 1,588,000     | -               | -                                 | -              | 1,588,000    |
| Subscriptions received in advance                  | -             | -             | -               | 342,645                           | -              | 342,645      |
| Share issue costs – cash                           | -             | (131,811)     | -               | -                                 | -              | (131,811)    |
| Share issue costs – finders' units                 | 381,600       | -             | -               | -                                 | -              | -            |
| Share issue costs – finders' warrants              | -             | (48,320)      | 48,320          | -                                 | -              | -            |
| Shares issued for equipment (Note 6)               | 25,729,166    | 571,759       | -               | -                                 | -              | 571,759      |
| Loss for the year                                  | -             | -             | -               | -                                 | (504,488)      | (504,488)    |
| <b>Balance at September 30, 2017</b>               | 47,516,596    | 1,982,637     | 48,320          | 342,645                           | (509,513)      | 1,864,089    |
| Shares issued for cash – private placement         | 11,983,396    | 1,565,329     | -               | (342,645)                         | -              | 1,222,684    |
| Shares issued for cash – warrant exercise          | 15,143,691    | 3,360,466     | (2,976)         | -                                 | -              | 3,357,490    |
| Shares issued - warrant exercise - debt settlement | 1,399,710     | 247,426       | (42,400)        | -                                 | -              | 205,026      |
| Finder's warrants expired                          | -             | 2,944         | (2,944)         | -                                 | -              | -            |
| Share issue costs – cash                           | -             | (158,555)     | -               | -                                 | -              | (158,555)    |
| Share issue costs – finders' shares                | 2,500,000     | -             | -               | -                                 | -              | -            |
| Share issue costs – finders' warrants              | -             | (37,500)      | 37,500          | -                                 | -              | -            |
| Share-based payments                               | 150,000       | 27,000        | -               | -                                 | -              | 27,000       |
| Loss for the year                                  | -             | -             | -               | -                                 | (2,204,118)    | (2,204,118)  |
| <b>Balance at September 30, 2018</b>               | 78,693,393    | \$ 6,989,747  | \$ 37,500       | \$ -                              | \$ (2,713,631) | \$ 4,313,616 |

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

# Nextleaf Solutions Ltd.

Notes to Financial Statements

(Expressed in Canadian Dollars)

**September 30, 2018**

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## 1. NATURE AND CONTINUANCE OF OPERATIONS

Nextleaf Solutions Ltd. (the “Company” or “Nextleaf”) was incorporated under the laws of the province of British Columbia on October 6, 2015. The Company is an extraction and processing solutions company providing services to the licensed cannabis industry in Canada. The Company’s registered and records office is 1090 West Georgia Street, Suite 600, Vancouver, British Columbia, V6E 3V7.

During the year ended September 30, 2018, the Company entered into a binding letter of intent (“LOI”) with Legion Metals Corp. (“Legion”), a publicly listed company on the Canadian Securities Exchange, under which, Legion will acquire all of the issued and outstanding common shares of Nextleaf, in a reverse takeover transaction by way of plan of arrangement (the “Transaction”). Subsequent to September 30, 2018, the Company and Legion entered into a binding Acquisition and Arrangement Agreement. Refer to Note 17 for details.

During the year ended September 30, 2018, the Company completed a forward stock split of its issued and outstanding common shares on a 2.25-old-for-1-new basis (“2:25:1”). As a result, all common shares, stock options, warrants, and per share amounts in these financial statements have been retroactively restated to reflect the effect of the forward stock split (Note 7).

These financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that might be necessary should the Company be unable to continue in existence.

The Company has been incurring losses and generating negative cash flows since inception. The Company’s revenues have not yet risen to levels materially capable of covering its ongoing capital and operating costs. Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will generate sufficient revenue and positive cash flows from operations. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

## **2. BASIS OF PRESENTATION**

These financial statements have been prepared on the historical cost basis, except for financial instruments which are classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts in these financial statements are presented in Canadian dollars, which is the functional currency of the Company.

### **Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

### **Accounting standards issued but not yet effective**

A number of new IFRS standards, amendments to standards and interpretations are not yet effective for the year ended September 30, 2018, and have not been applied in preparing these financial statements.

- IFRS 9: A New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018. The Company does not expect the adoption of this standard to have a significant impact on its financial statements. The impact is expected to be limited to disclosures only.
- IFRS 15: A New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contracts with customers, effective for annual periods beginning on or after January 1, 2018. The Company has determined that the adoption of this standard will not have a significant impact on its financial statements as the Company does not have contracts with customers that include multiple deliverables.
- IFRS 16: A new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lease accounting model, effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of this standard on its building facility lease.
- IFRIC 23: Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The Company has not yet determined the extent of the impact of adoption of the Interpretation.

## **Nextleaf Solutions Ltd.**

Notes to Financial Statements

(Expressed in Canadian Dollars)

**September 30, 2018**

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Significant accounting judgments, estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at each reporting date and the reported amounts of income and expenses during each reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The information about significant areas of estimation uncertainty considered by management in preparing these financial statements is as follows:

#### *Fair value of finders' warrants*

Determining the fair value of compensatory warrants (finders' warrants) requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the fair value of the Company's common shares, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.

#### *Equipment*

The estimated useful lives of equipment are reviewed by management and adjusted if necessary. To estimate equipment's useful life, management must use its past experience with the same or similar assets, review engineering estimates and industry practices for similar pieces of equipment and/or apply statistical methods to assist in its determination of useful life. Additionally, management makes estimates with respect to the fair value of equipment acquired for non-monetary consideration. The Company assesses fair value by comparing market prices for similar types of equipment.

#### *Non-monetary transactions*

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transaction lacks commercial substance or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction. When the fair value of a non-monetary transaction cannot be reliably measured, it is recorded at the carrying amount (after reduction, when appropriate, for impairment) of the asset given up and adjusted by the fair value of any monetary consideration received or given. When the asset received or consideration given up is shares in an actively traded market, the market value of those shares will be considered fair value.

#### *Determination of market value of Nextleaf common shares*

Management is required to estimate the fair market value of the Company's shares when using its shares to procure assets or financing. Management has estimated the shares' value by comparing other public companies of a similar size and nature as Nextleaf's and applying some of their metrics to Nextleaf's current situation.

**Nextleaf Solutions Ltd.**  
Notes to Financial Statements  
(Expressed in Canadian Dollars)  
**September 30, 2018**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The information about significant areas of judgment considered by management in preparing these financial statements is as follows:

*Income taxes*

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

*Going concern*

The assessment of the Company's ability to continue as a going concern as discussed in Note 1 involves judgment regarding future funding available for its operations and working capital requirements.

**Equipment**

Equipment is measured at cost less accumulated depreciation and impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. A full year of depreciation is recorded in the year of acquisition. No depreciation is recorded in the year of disposal.

Depreciation is recognized over the following terms, intended to depreciate the cost of equipment, less its residual values if any, over its estimated useful lives:

|                         |  |
|-------------------------|--|
| Extraction equipment    | 20% declining balance  |
| Furniture and equipment | 20% declining balance  |
| Mobile trailer          | 20% declining balance  |
| Leasehold improvements  | 5 years, based on remaining lease term on commencement of operations |

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Repairs and maintenance costs are charged to profit or loss during the period they are incurred. Any gain or loss on the disposal or retirement of equipment is recognized in profit or loss.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue recognition**

Revenue is recognized when control over a product or service has been transferred to a customer, it is probable that future economic benefits will flow to the Company, and the amount of revenue can be reliably measured. Revenue is recorded based on the fair value of consideration received or receivable. Revenue is not recognized before there is persuasive evidence that an arrangement exists, such as: delivery has occurred or the service has been performed and completed, the revenue amount is fixed and determinable, and the collection of outstanding amounts is considered probable. Revenue is presented net of sales taxes and discounts. The Company records revenue from the following categories:

Processing services:

The Company recognizes revenue from processing services relating to the rental of equipment to third parties, and/or from the provision of extraction and processing services when the service has been performed and completed. This is the point in time in which the Company has satisfied its performance obligations and transferred control of the service promised to a customer.

Equipment sales:

The Company recognizes revenue from the sale of equipment when delivery of the equipment has taken place thereby transferring the significant risks and rewards of ownership to the buyer, and when the Company retains neither continuing managerial involvement to the degree usually associated with ownership or control over the equipment sold. This is the point in time in which the Company has satisfied its performance obligations and transferred control of the asset to a customer.

**Government grants**

Government grants are recognized when there is reasonable assurance that, (a) the Company will comply with any conditions attached to the grant; and (b) the grant will be received. Government grants that reimburse for expenses already incurred are recognized in profit or loss on a systematic basis in the same period in which the expenses are incurred and are presented separately from the expense as income from Government grant. Amounts accrued and not yet received are included within receivables. Refer to Note 15 for details of the Company's Government grants.

**Share capital**

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from shareholders' equity. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of warrants attached to private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Share-based payment transactions**

The Company may issue compensatory warrants (finders' warrants) in connection with the completion of equity financings. The fair value of compensatory warrants is measured on grant date and is recognized as a reduction to share capital as a share issue cost with a corresponding increase in warrant reserve.

Compensatory warrants are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the compensatory warrants issued is recorded on the issuance date which is the date the goods or services are received.

When compensatory warrants are exercised, the consideration received is recorded as share capital and the initial recorded value originally recorded as warrant reserve is transferred to share capital. When a compensatory warrant expires, the initial recorded value is reversed from warrant reserve and credited to share capital.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the specific identification method for new equipment. Net realizable value approximates the estimated selling price less all estimated costs of completion and necessary costs to complete the sale. Previous write-downs of inventory, are reversed when economic changes support an increased value. Where a previous write-down is reversed, the reversal is limited to the amount of the original write-down, so that the new carrying amount is the lower of cost and the revised net realizable value.

**Loss per share**

Basic loss per share is computed by dividing the net loss attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period.

Diluted loss per share is computed similar to basic loss per share except that (i) net loss attributable to common shareholders are adjusted for the dilutive effect of warrants and stock options. Under this method, the Company assumes that outstanding dilutive stock options and warrants were exercised and that the proceeds from such exercises (after adjustment of any unvested portion of stock options) were used to acquire common shares at the average market price during the reporting periods. For the periods presented, diluted loss per share equals basic loss per shares as the effect of all dilutive stock options and warrants would have been anti-dilutive.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Financial instruments**

The Company classifies its financial instruments assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss ("FVTPL")*

This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in profit or loss.

*Held to maturity*

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

*Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Available-for-sale ("AFS")*

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from shareholders' equity and recognized in profit or loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Financial instruments** (continued)

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss*

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in profit or loss.

*Other financial liabilities*

This category consists of liabilities carried at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company has classified its cash as fair value through profit or loss. Receivables, due from related parties, subscriptions receivable, and promissory note receivable, are classified as loans and receivables. The Company's accounts payable and accrued liabilities, and promissory note are classified as other financial liabilities.

**Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of non-financial assets**

The carrying amount of the Company's long-lived assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (cash generating units "CGU"). The recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the CGU and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Where the carrying amount of an asset group exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

**Income taxes**

Income tax comprises current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in shareholders' equity.

Current income tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, adjusted for any amendments to tax payable in respect of previous years.

Deferred income tax is provided for, based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**Nextleaf Solutions Ltd.**  
Notes to Financial Statements  
(Expressed in Canadian Dollars)  
**September 30, 2018**

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**4. RECEIVABLES**

The Company's receivables comprise the following:

|   | <b>September 30,<br/>2018</b> | September 30,<br>2017 |
|---|-------------------------------|-----------------------|
|   | \$                            | \$                    |
| Trade receivables                             | 8,095                         | 185,967               |
| Sales tax recoverable                         | 86,938                        | 17,914                |
| Accrued Government grant receivable (Note 15) | 4,243                         | -                     |
|   | <b>99,276</b>                 | 203,881               |

**5. PREPAID EXPENSES AND ADVANCES**

The Company's prepaid expenses and advances comprise the following:

|                            | <b>September 30,<br/>2018</b> | September 30,<br>2017 |
|----------------------------|-------------------------------|-----------------------|
|                            | \$                            | \$                    |
| Conference fees            | 9,000                         | 30,000                |
| Retainers                  | 51,254                        | 35,516                |
| Expense advances and other | 82,126                        | 15,719                |
|                            | <b>142,380</b>                | 81,235                |

**Nextleaf Solutions Ltd.**  
Notes to Financial Statements  
(Expressed in Canadian Dollars)  
**September 30, 2018**

**6. EQUIPMENT**

|  | <b>Extraction<br/>Equipment<br/>\$</b> | <b>Furniture<br/>and Equipment<br/>\$</b> | <b>Mobile<br/>Trailer<br/>\$</b> | <b>Leasehold<br/>Improvements<br/>\$</b> | <b>Total<br/>\$</b> |
|--|--|---|----------------------------------|--|---------------------|
| <b><u>Cost</u></b>                     |  |   |                                  |  |                     |
| September 30, 2016                     | -                                      | -   | -                                | -  | -                   |
| Additions                              | 1,050,343                              | -   | -                                | -  | 1,050,343           |
| September 30, 2017                     | 1,050,343                              | -   | -                                | -  | 1,050,343           |
| <b><u>Accumulated depreciation</u></b> |  |   |                                  |  |                     |
| September 30, 2016                     | -                                      | -   | -                                | -  | -                   |
| Depreciation**                         | 181,290                                | -   | -                                | -  | 181,290             |
| September 30, 2017                     | 181,290                                | -   | -                                | -  | 181,290             |
| <b><u>Cost</u></b>                     |  |   |                                  |  |                     |
| September 30, 2017                     | 1,050,343                              | -   | -                                | -  | 1,050,343           |
| Additions                              | 1,466,919                              | 182,617                                   | 257,173                          | 426,238                                  | 2,332,947           |
| <b>September 30, 2018</b>              | <b>2,517,262</b>                       | <b>182,617</b>                            | <b>257,173</b>                   | <b>426,238</b>                           | <b>3,383,290</b>    |
| <b><u>Accumulated depreciation</u></b> |  |   |                                  |  |                     |
| September 30, 2017                     | 181,290                                | -   | -                                | -  | 181,290             |
| Depreciation**                         | 239,029                                | 10,667                                    | 47,360                           | -  | 297,056             |
| <b>September 30, 2018</b>              | <b>420,319</b>                         | <b>10,667</b>                             | <b>47,360</b>                    | <b>-</b>                                 | <b>478,346</b>      |
| <b><u>Net book value</u></b>           |  |   |                                  |  |                     |
| September 30, 2017                     | 869,053                                | -   | -                                | -  | 869,053             |
| <b>September 30, 2018</b>              | <b>2,096,943</b>                       | <b>171,950</b>                            | <b>209,813</b>                   | <b>426,238</b>                           | <b>2,904,944</b>    |

\*\* Depreciation is allocated as follows:

- \$286,389 included within cost of sales for the year ended September 30, 2018 (2017 - \$181,290) (Note 12); and
- \$10,667 included within general and administration expense for the year ended September 30, 2018 (2017 - \$Nil) (Note 11).

Certain of the Company's equipment was not yet in use as at September 30, 2018. Depreciation is taken when items are in the location and condition necessary for it to be capable of operating in a manner intended by management. The leasehold improvements were not in use as at September 30, 2018, therefore no depreciation was taken during the year then ended.

On January 10, 2017, the Company acquired cannabis extraction equipment from a third party individual (the "Seller") with a fair value of \$699,221, which was paid by the Company as follows: (i) a \$127,462 unsecured promissory note bearing interest at 2.5% per annum; and (ii) 25,729,166 common shares of the Company (Note 7). The acquisition of this equipment was included within extraction equipment additions during the year ended September 30, 2017 (the "Transaction"). As at September 30, 2018, \$2,462 remains owed to the Seller and is offset against separate amounts owed to the Company by the Seller within due from related parties, (2017 - \$2,462 was outstanding as promissory note payable). On September 27, 2018, the Seller became the Chief Technical Officer of the Company.

As at September 30, 2018, the Company had paid cash deposits for additional cannabis extraction equipment in the amount of \$65,704 (2017- \$336,996 (equipment was received during the year ended September 30, 2018)).

**Nextleaf Solutions Ltd.**  
Notes to Financial Statements  
(Expressed in Canadian Dollars)  
**September 30, 2018**

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**7. SHAREHOLDERS' EQUITY**

**Authorized**

Unlimited number of common shares with no par value.

**Issued and Outstanding**

As at September 30, 2018, the total issued and outstanding share capital consists of 78,693,393 (2017 – 47,516,596) common shares.

During the year ended September 30, 2018, the Company completed a forward stock split of its issued and outstanding common shares on a 2.25-old-for-1-new basis (“2:25:1”). As a result, all common shares, warrants, and per share amounts in these financial statements have been retroactively restated to reflect the effect of the forward stock split (Note 1).

**Share issuances during the year ended September 30, 2018:**

- On October 31, 2017, the Company closed a private placement for the issuance of 3,708,252 units at a price of \$0.1111 per unit for gross proceeds of \$412,028. Each unit comprised of one common share and one common share purchase warrant exercisable at a price of \$0.2222 per common share until July 20, 2018. Related to this issuance, \$342,645 of subscriptions received in advance as at September 30, 2017, were reclassified to share capital.
- On January 31, 2018, the Company closed a private placement for the issuance of 4,500,000 shares at a price of \$0.1083 per share for gross proceeds of \$487,566. The Company also paid cash finders' fees of \$34,130.
- On January 31, 2018, the Company closed a private placement for the issuance of 3,775,144 shares at a price of \$0.1764 per share for gross proceeds of \$665,735. The Company also paid cash finders' fees of \$46,602.
- On February 22, 2018, 150,000 shares were issued with a fair value of \$27,000 for services provided by a consultant and are recorded as share-based payment expense.
- On March 1, 2018, 954,000 shares were issued at a price of \$0.1111 upon the exercise of finders' warrants. No proceeds were received as the exercise price was applied against the balance owed by the Company to the warrant holder.
- On March 1, 2018, 2,500,000 shares were issued at a value of \$450,000 for services provided related to share issuances within share issue costs, having a net \$Nil effect on share capital. Additionally, 750,000 finders' warrants exercisable at \$0.25 per share until March 1, 2019, were issued on this date to the service provider in relation to the equity financings that occurred during the year ended September 30, 2018. The finders' warrants were recorded at a fair value of \$37,500 as a share issue cost and within warrant reserve.
- On June 18, 2018, 66,960 shares were issued at a price of \$0.1111 per share upon the exercise of finders' warrants for gross proceeds of \$7,440.

**Nextleaf Solutions Ltd.**  
Notes to Financial Statements  
(Expressed in Canadian Dollars)  
**September 30, 2018**

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**7. SHAREHOLDERS' EQUITY** (continued)

- On August 17, 2018, 7,417,798 shares were issued at a price of \$0.2222 upon the exercise of finders' warrants for gross proceeds of \$1,648,235. Fees related to the share issue totaled \$77,823.
- On September 28, 2018, upon the exercise of 7,658,933 share purchase warrants, 7,658,933 shares were issued at a price of \$0.2222 per share for gross proceeds of \$1,701,815.
- On September 28, 2018, upon the exercise of 445,710 share purchase warrants, 445,710 shares were issued at a price of \$0.2222 per share. No proceeds were received as the exercise price was applied against the balance owed by the Company to the warrant holders.

In connection with the share issuances during August and September 2018, \$855,768 of the gross proceeds were included within subscriptions receivable as at September 30, 2018. The amounts were collected in full subsequent to September 30, 2018.

**Share issuances during the year ended September 30, 2017:**

- On January 10, 2017, the Company issued 25,729,166 common shares of the Company with a fair value of \$571,759 for the purchase of equipment (Note 6). This transaction was valued in reference to the estimated fair value of the equipment acquired.
- On June 2, 2017, the Company issued 837,000 units at a price \$0.1111 per unit for gross proceeds of \$93,000. Each unit comprised of one common share, and one common share purchase warrant exercisable at a price of \$0.2222 per share until June 2, 2018. The Company also issued 66,960 finders' warrants in connection with this financing, recorded at a fair value of \$2,976, and paid cash finders' fees of \$5,580. The finders' warrants expire on June 2, 2018, and are exercisable at a price of \$0.1111 per share.
- On July 10, 2017, the Company issued 713,250 units at a price \$0.1111 per unit for gross proceeds of \$79,250. Each unit comprised of one common share, and one common share purchase warrant, exercisable at a price of \$0.2222 per share until July 10, 2018. The Company also issued 57,060 finders' warrants in connection with this financing, recorded at a fair value of \$2,536, and paid cash finders' fees of \$4,755. The finders' warrants expire on July 10, 2018, and are exercisable at a price of \$0.1111 per share. \$74,495 related to this unit issuance was received during the year ended September 30, 2018.
- On July 20, 2017, the Company issued 9,540,000 units at a price \$0.1111 per unit for gross proceeds of \$1,060,000. Each unit comprised one common share and one common share purchase warrant, exercisable at a price of \$0.2222 per share until July 20, 2018. The Company also issued 954,000 finders' warrants in connection with this financing, recorded at a fair value of \$42,400. Further, the Company paid cash finders' fees of \$42,400, and issued an additional 381,600 units to finders' (in lieu of a cash commission), recorded at a fair value of \$42,400 within share issue costs, having a net \$nil effect on share capital. The finders' warrants expire on July 20, 2018, and are exercisable at a price of \$0.1111 per share.

## Nextleaf Solutions Ltd.

Notes to Financial Statements

(Expressed in Canadian Dollars)

September 30, 2018

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### 7. SHAREHOLDERS' EQUITY (continued)

- On July 31, 2017, the Company issued 114,750 units at a price \$0.1111 per unit for gross proceeds of \$12,750. Each unit comprised of one common share and one common share purchase warrant, exercisable at a price of \$0.2222 per share until July 31, 2018. The Company also issued 9,180 finders' warrants in connection with this financing, recorded at a fair value of \$408, and paid cash finders' fees of \$765. The finders' warrants expire on July 31, 2018, and are exercisable at a price of \$0.1111 per share.
- On August 14, 2017, the Company issued 3,429,999 units at a price \$0.10 per unit for gross proceeds of \$343,000. Each unit comprised of one common share and one common share purchase warrant, exercisable at a price of \$0.2222 per share until August 14, 2018. As at September 30, 2017, \$74,495 of the gross proceeds were included within subscriptions receivable. The amount was collected in full during the year ended September 30, 2018.

Aggregate cash share issue costs pursuant to the financings completed during the year ended September 30, 2017, totaled \$131,811, of which \$53,500 were cash commissions to finders' (as disclosed above), and \$78,311 were professional and other fees related to the financings.

#### Warrants

|                             | Number of<br>warrants<br>outstanding | Weighted<br>average<br>exercise price |
|-----------------------------|--------------------------------------|---------------------------------------|
| Balance, September 30, 2016 | -                                    | \$ -                                  |
| Issued – attached to units  | 15,016,599                           | 0.22                                  |
| Issued – finders' warrants  | 1,087,200                            | 0.11                                  |
| Balance, September 30, 2017 | 16,103,799                           | \$ 0.21                               |
| Issued – attached to units  | 3,708,252                            | 0.22                                  |
| Issued – finders' warrants  | 750,000                              | 0.25                                  |
| Exercised                   | (16,543,401)                         | 0.22                                  |
| Expired                     | (3,268,650)                          | 0.22                                  |
| Balance, September 30, 2018 | 750,000                              | \$ 0.25                               |

| Number of<br>warrants<br>outstanding | Weighted<br>average<br>exercise<br>price | Expiry Dates  | Weighted<br>average<br>remaining life<br>(years) |
|--------------------------------------|--|---------------|--|
| 750,000                              | \$ 0.25                                  | March 1, 2019 | 0.42   |



**Nextleaf Solutions Ltd.**  
Notes to Financial Statements  
(Expressed in Canadian Dollars)  
**September 30, 2018**

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**7. SHAREHOLDERS' EQUITY (continued)**

**Warrants (continued)**

The fair value of the finders' warrants issued during the year ended September 30, 2018, was \$37,500 (2017 - \$48,320), and is recorded as a share issue cost. The fair value of the finders' warrants was estimated at the issuance date based on the Black-Scholes option pricing model, using the following weighted average assumptions:

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
| Risk-free interest rate                | 2.00%       | 2.30%       |
| Expected dividend yield                | 0%          | 0%          |
| Expected life                          | 1 year      | 1 year      |
| Expected volatility                    | 100%        | 100%        |
| Fair value per finders' warrant issued | \$0.05      | \$0.04      |

**8. RELATED PARTY TRANSACTIONS**

**Key management personnel**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and Corporate Officers.

The remuneration of key management for the years ended September 30, 2018, and 2017 are as follows:

|                 | <b>2018</b> | <b>2017</b> |
|-----------------|-------------|-------------|
|                 | <b>\$</b>   | <b>\$</b>   |
| Consulting fees | 330,264     | 40,000      |

**Transactions with other related parties**

The Company entered into transactions with other related parties during the years ended September 30, 2018, and 2017 as follows:

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| Legal fees (professional fees) – former director | 56,565      | 17,305      |

**Nextleaf Solutions Ltd.**  
Notes to Financial Statements  
(Expressed in Canadian Dollars)  
**September 30, 2018**

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**8. RELATED PARTY TRANSACTIONS (continued)**

**Amounts due from (to) related parties**

The following amounts are due from (to) related parties as at September 30, 2018 and 2017:

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|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |
| Officer and director of the Company – accounts payable and accrued liabilities | (138,286)   | (35,668)    |
| Due from related parties <sup>(1)</sup>  | 102,773     | 100,000     |
| Promissory note receivable (payable) <sup>(1)</sup>                            | -           | (2,462)     |
| Prepaid expenses to related parties  | 50,477      | 14,143      |

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<sup>(1)</sup> During the year ended September 30, 2017, \$75,000 was loaned to a former director of the Company. The loan is repayable on demand and bears interest at a rate of 6% per annum. An additional \$25,000 was loaned to the Chief Technical Officer as an unsecured promissory note which bears interest at rate of 3% per annum. The loan is repayable on demand and bears interest at a rate of 3% per annum. Aggregate interest income of \$5,235 (2017 - \$nil) was recorded within general and administration during the year.

## **9. FINANCIAL INSTRUMENTS**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly;
- Level 3 - Inputs that are not based on observable market data.

### **Fair value risk**

The Company's financial instruments consist of cash, receivables, promissory note receivable, due from related parties, subscriptions receivable, accounts payable and accrued liabilities, and promissory note payable.

The Company's financial instruments with the exception of cash approximate their fair values. Cash, under the fair value hierarchy is based on Level 1 quoted prices in active markets for identical assets or liabilities.

### **Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held with a Canadian chartered bank and accordingly, the Company's exposure to credit risk is considered insignificant. The Company's exposure to its trade receivables equates to their carrying value. The Company's sales tax recoverable represents refunds due from the Government of Canada and the exposure to credit risk on this amount is considered to be limited.

### **Liquidity risk**

The Company manages liquidity risk by maintaining an adequate level of cash to meet its ongoing obligations. The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future. As at September 30, 2018, the Company had working capital of \$1,287,968, and requires additional financing to meet its business objectives.

### **Market risk**

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk, and price risk as follows:

#### **(i) Currency risk**

Currency risk is the risk of change in profit or loss that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to currency risk as it occasionally incurs equipment purchases denominated in the United States dollar, and has historically raised equity financing in Australian Dollars. As at September 30, 2018, the Company held cash, and accounts payable and accrued liabilities in United States dollars. A 10% change in the exchange rate between the United States dollar and the Canadian dollar, would have impacted loss and comprehensive loss by approximately \$28,000.

**9. FINANCIAL INSTRUMENTS (continued)**

**Market risk (continued)**

**(ii) Interest rate risk**

The Company is not exposed to interest rate risk because it does not have any assets or liabilities subject to variable rates of interest, except for cash held in interest-bearing accounts which poses an insignificant risk exposure.

**(iii) Price risk**

Equity price risk is defined as the potential adverse impact on the Company's results of operations due to movements in individual equity prices or general movements in the level of the stock market. The Company currently operates as a private company which limits its exposure to price risk, however, the Company has completed several private placement financings, and therefore it is exposed to price risk with respect to equity prices set on its offerings which may impact the level of funds raised and number of common shares issued in those financings. The Company's risk level with respect to price risk will increase when the Company becomes publicly traded.

**10. CAPITAL RISK MANAGEMENT**

The Company defines capital as the components of shareholders' equity. The Company's objectives when managing capital are to support further advancement of the Company's business objectives, as well as to ensure that the Company is able to meet its financial obligations as they come due.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company relies on the expertise of the Company's management to sustain the future development of the business. 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 year ended September 30, 2018. The Company is not subject to externally imposed capital requirements.

**Nextleaf Solutions Ltd.**  
Notes to Financial Statements  
(Expressed in Canadian Dollars)  
**September 30, 2018**

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**11. GENERAL AND ADMINISTRATION**

General and administration for the years ending September 30, 2018 and 2017 comprise the following:

|                         | <b>2018</b>    | <b>2017</b>   |
|-------------------------|----------------|---------------|
|                         | <b>\$</b>      | <b>\$</b>     |
| Bank charges            | 11,275         | 534           |
| Depreciation (Note 6)   | 10,667         | -             |
| Foreign exchange        | 10,490         | 3,771         |
| Insurance               | 23,774         | 13,085        |
| Interest income         | (5,235)        | -             |
| Office                  | 102,764        | 10,660        |
| Rent                    | 52,409         | 5,953         |
| Repairs and maintenance | 72,172         | -             |
| Research                | 26,080         | -             |
| Wages and salaries      | 414,298        | -             |
|                         | <u>718,694</u> | <u>34,003</u> |

**12. COST OF SALES**

Cost of sales for the years ending September 30, 2018 and September 30, 2017 comprise the following:

|                           | <b>2018</b>    | <b>2017</b>    |
|---------------------------|----------------|----------------|
|                           | <b>\$</b>      | <b>\$</b>      |
| Contractors               | 22,786         | 28,000         |
| Depreciation (Note 6)     | 286,389        | 181,290        |
| Hardware                  | 99,762         | -              |
| Supplies and utilities    | 112,194        | 57,711         |
| New equipment (inventory) | 119,500        | -              |
|                           | <u>640,631</u> | <u>267,001</u> |

**Nextleaf Solutions Ltd.**  
Notes to Financial Statements  
(Expressed in Canadian Dollars)  
**September 30, 2018**

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**13. SEGMENTED INFORMATION**

The Company has a single reportable segment: the provision of extraction and processing solutions and equipment to the cannabis industry in Canada. All of the Company's revenues are generated in Canada, and its non-current assets are located in Canada.

For the year ended September 30, 2018, there were three customers that each accounted for greater than 10% of total revenue individually, with the aggregate revenues from these customers amounted to \$523,408 (2017 – five customers, with aggregate revenues of \$119,760).

**14. PROMISSORY NOTE RECEIVABLE**

The Company has provided a promissory note to a equipment supplier which is callable on demand and bears annual interest at 3%. As at September 30, 2018, the total amount receivable by the Company was \$55,000.

**15. GOVERNMENT GRANT**

National Research Council Canada – Industrial Research Assistance Program (“NRC”)

The Company entered into an agreement with the NRC to receive a grant for a project pertaining to the removal of chlorophyll and like impurities from crude oil extracts. The grant will reimburse the Company for 80% of supported salary costs to a maximum of \$80,000 for the calendar 2018/2019 period and \$22,000 for the calendar 2019/2020 period.

The project started during the year ended September 30, 2018, and the Company incurred \$8,855 of reimbursable expenditures (2017 - \$nil), which has been recorded as income from Government grant. As at September 30, 2018, \$4,243 is included in receivables (Note 4).

**Nextleaf Solutions Ltd.**  
Notes to Financial Statements  
(Expressed in Canadian Dollars)  
**September 30, 2018**

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**16. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended September 30, 2018, and September 30, 2017, is as follows:

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
|   | <b>\$</b>   | <b>\$</b>   |
| Loss for the year   | (2,204,118) | (504,488)   |
| Expected income tax (recovery)                                  | (595,000)   | (131,000)   |
| Change in tax resulting from:                                   |             |             |
| Permanent differences   | 7,000       | 2,000       |
| Change in recognized deductible temporary differences and other | 631,000     | 129,000     |
| Share issue cost  | (43,000)    | -           |
| Total income tax expense (recovery)                             | -           | -           |

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

The Company's unused temporary differences, and unused tax losses that have not been included on the statements of financial position as at September 30, 2018, and September 30, 2017, are as follows:

|                                 | <b>2018</b> | <b>Expiry Date</b> | <b>2017</b> | <b>Expiry Date</b> |
|---------------------------------|-------------|--------------------|-------------|--------------------|
|                                 | <b>\$</b>   | <b>Range</b>       | <b>\$</b>   | <b>Range</b>       |
| Equipment                       | 817,000     | N/A                | 586,000     | N/A                |
| Share issue costs               | 206,000     | 2021 to 2022       | 79,000      | 2021               |
| Non-capital loss carry forwards | 2,276,000   | 2036 to 2038       | 338,000     | 2036 to 2037       |

Tax attributes are subject to review, and potential adjustment, but tax authorities.

**17. COMMITMENT**

The Company has entered into a warehouse lease agreement for the lease of its centralized processing facility which is currently under renovation (leasehold improvements). The lease is for the period from July 1, 2018 to June 30, 2023. Minimum annual commitments are as follows:

| <b>Year</b> | <b>Total commitment</b> |
|-------------|-------------------------|
| 2019        | \$ 63,804               |
| 2020        | 63,804                  |
| 2021        | 65,113                  |
| 2022        | 68,712                  |
| 2023        | 52,424                  |
|             | <b>\$ 313,857</b>       |

## **Nextleaf Solutions Ltd.**

Notes to Financial Statements

(Expressed in Canadian Dollars)

**September 30, 2018**

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### **18. SUBSEQUENT EVENTS**

- a) On November 29, 2018, the Company and Legion entered into a binding and definitive Acquisition and Arrangement Agreement (the “Definitive Agreement”) respecting the Transaction (Note 1). As a condition to closing the Transaction, Nextleaf will complete a private placement equity financing (the “Private Placement”) for gross proceeds of a minimum of \$3,000,000, and maximum of \$7,000,000 (subject to an Over-Allotment Option).

On closing of the Transaction, it is anticipated that Nextleaf shareholders will hold between 95.5% and 97% of the shares of the resulting issuer (the “Resulting Issuer”), with the remaining shares of the resulting issuer being held by Legion shareholders. Additionally, the outstanding options and warrants to purchase common shares of Legion and Nextleaf will represent options and warrants to purchase common shares of the Resulting Issuer, with the number of common shares issuable upon exercise, and the exercise price, adjusted to reflect the terms of the Transaction. Furthermore, it is anticipated that Legion will change its name to “Nextleaf Solutions Ltd.” and will carry on with Nextleaf’s cannabis extraction technology business.

Closing of the Transaction remains subject to regulatory and exchange review and approval.

- b) On February, 15, 2019, the Company completed a brokered private placement equity financing of 2,654,014 units at a price of \$0.35 per unit for gross proceeds of \$928,905. Each unit consists of one common share and one common share purchase warrant of the Company exercisable at \$0.70 per share until February, 15, 2021.



# **Nextleaf Solutions Ltd.**

Condensed Interim Financial Statements  
**December 31, 2018**

Unaudited – Prepared by Management  
(Expressed in Canadian Dollars)

# Nextleaf Solutions Ltd.

## Condensed Interim Statements of Financial Position

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

As at

|   | Note | December 31, 2018  | September 30, 2018 |
|---|------|--------------------|--------------------|
| <b>ASSETS</b>                               |      |                    |                    |
| <b>Current</b>                              |      |                    |                    |
| Cash  |      | \$ 579,937         | \$ 837,604         |
| Receivables                                 | 4    | 116,506            | 99,276             |
| Prepaid expenses and advances               | 5,8  | 112,856            | 142,380            |
| Due from related parties                    | 8    | 80,770             | 102,773            |
| Subscriptions receivable                    | 7    | -                  | 855,768            |
|   |      | <u>890,069</u>     | <u>2,037,801</u>   |
| <b>Promissory note receivable</b>           | 14   | 211,040            | 55,000             |
| <b>Equipment deposits</b>                   | 6    | 65,704             | 65,704             |
| <b>Equipment</b>                            | 6    | <u>3,137,692</u>   | <u>2,904,944</u>   |
|   |      | <u>3,414,436</u>   | <u>3,025,648</u>   |
|   |      | \$ 4,304,505       | \$ 5,063,449       |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |      |                    |                    |
| <b>Current</b>                              |      |                    |                    |
| Accounts payable and accrued liabilities    | 8    | <u>\$ 723,010</u>  | <u>\$ 749,833</u>  |
| <b>SHAREHOLDERS' EQUITY</b>                 |      |                    |                    |
| Share capital                               | 7    | 6,989,747          | 6,989,747          |
| Warrant reserve                             | 7    | 37,500             | 37,500             |
| Deficit                                     |      | <u>(3,445,752)</u> | <u>(2,713,631)</u> |
|   |      | <u>3,581,495</u>   | <u>4,313,616</u>   |
|   |      | \$ 4,304,505       | \$ 5,063,449       |
| <b>Nature and Continuance of Operations</b> | 1    |                    |                    |
| <b>Commitment</b>                           | 16   |                    |                    |
| <b>Subsequent Event</b>                     | 17   |                    |                    |

Approved and Authorized by the Board on March 11, 2019:

"Paul Pedersen" Director

"Charles Ackerman" Director

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

**Nextleaf Solutions Ltd.**

Condensed Interim Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended

|  | Note | December 31, 2018 | December 31, 2017 |
|--|------|-------------------|-------------------|
| <b>Revenue</b>   |      |                   |                   |
| Equipment sales  |      | \$ -              | \$ 30,234         |
|  |      | -                 | 30,234            |
| <b>Cost of sales</b>   | 12   | -                 | (69,339)          |
|  |      | -                 | (39,105)          |
| <b>Expenses</b>  |      |                   |                   |
| General and administration                                       | 11   | 350,990           | 152,306           |
| Income from Government grant                                     | 15   | (16,271)          | -                 |
| Professional fees and consulting                                 | 8    | 286,330           | 181,941           |
| Sales and marketing  |      | 111,072           | 18,600            |
|  |      | (732,121)         | (352,847)         |
| <b>Loss and comprehensive loss for the period</b>                |      | \$ (732,121)      | \$ (391,952)      |
| <b>Loss and comprehensive loss per share - basic and diluted</b> |      | \$ (0.01)         | \$ (0.01)         |
| <b>Weighted average number of common shares outstanding</b>      |      | 78,693,393        | 49,975,328        |

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

**Nextleaf Solutions Ltd.**  
Condensed Interim Statements of Cash Flows  
Unaudited – Prepared by Management  
(Expressed in Canadian Dollars)  
For the three months ended

|  | Note | December 31, 2018 | December 31, 2017 |
|--|------|-------------------|-------------------|
| <b>Cash flows used in operating activities</b> |      |                   |                   |
| Loss for the period                            |      | \$ (732,121)      | \$ (391,952)      |
| Items not involving cash:                      |      |                   |                   |
| Depreciation                                   | 11   | 79,894            | 67,938            |
| Accrued interest - due from related parties    |      | (1,270)           | -                 |
| Accrued interest - promissory note receivable  |      | (1,040)           | -                 |
| Changes in non-cash working capital:           |      |                   |                   |
| Receivables                                    |      | (17,230)          | 125,487           |
| Prepaid expenses and advances                  |      | 29,524            | (27,504)          |
| Due from related parties                       |      | 23,273            | -                 |
| Accounts payable and accrued liabilities       |      | (26,823)          | 114,666           |
|  |      | <u>(645,793)</u>  | <u>(111,365)</u>  |
| <b>Cash flows used in investing activities</b> |      |                   |                   |
| Issuance of promissory note receivable         |      | (155,000)         | -                 |
| Purchases of equipment                         |      | (312,642)         | (636,353)         |
|  |      | <u>(467,642)</u>  | <u>(636,353)</u>  |
| <b>Cash flows from financing activities</b>    |      |                   |                   |
| Issuance of common shares                      |      | -                 | 69,383            |
| Subscriptions received in advance              |      | -                 | 1,093,381         |
| Collection of subscriptions receivable         |      | 855,768           | 59,912            |
|  |      | <u>855,768</u>    | <u>1,222,676</u>  |
| <b>Change in cash</b>                          |      | (257,667)         | 474,958           |
| <b>Cash, beginning of period</b>               |      | <u>837,604</u>    | <u>342,572</u>    |
| <b>Cash, end of period</b>                     |      | \$ 579,937        | \$ 817,530        |

**Supplemental disclosure of significant non-cash investing and financing activities:**

During the periods ended December 31, 2018 and December 31, 2017, no amounts were paid for interest or income tax expenses.

|   |    |         |    |         |
|---|----|---------|----|---------|
| Reduction of subscriptions received in advance on issuance of common shares | \$ | -       | \$ | 342,645 |
| Purchases of equipment in accounts payable and accrued liabilities          | \$ | 429,042 | \$ | -       |
| Transfer of equipment deposits to equipment                                 | \$ | -       | \$ | 65,126  |

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

**Nextleaf Solutions Ltd.**

## Condensed Interim Statements of Changes in Shareholders' Equity

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended

|  | Common Shares     | Share Capital       | Warrant Reserve  | Subscriptions received in advance | Deficit               | Total               |
|--|-------------------|---------------------|------------------|-----------------------------------|-----------------------|---------------------|
| <b>Balance at September 30, 2017</b>               | 47,516,596        | \$ 1,982,637        | \$ 48,320        | \$ 342,645                        | \$ (509,513)          | \$ 1,864,089        |
| Shares issued for cash - private placement         | 3,708,252         | 412,028             | -                | (342,645)                         | -                     | 69,383              |
| Subscriptions received in advance                  | -                 | -                   | -                | 1,093,381                         | -                     | 1,093,381           |
| Loss for the period                                | -                 | -                   | -                | -                                 | (391,952)             | (391,952)           |
| <b>Balance at December 31, 2017</b>                | <b>51,224,848</b> | <b>2,394,665</b>    | <b>48,320</b>    | <b>1,093,381</b>                  | <b>(901,465)</b>      | <b>2,634,901</b>    |
| Shares issued for cash – private placement         | 8,275,144         | 1,153,301           | -                | (1,093,381)                       | -                     | 59,920              |
| Shares issued for cash – warrant exercise          | 15,143,691        | 3,360,466           | (2,976)          | -                                 | -                     | 3,357,490           |
| Shares issued - warrant exercise - debt settlement | 1,399,710         | 247,426             | (42,400)         | -                                 | -                     | 205,026             |
| Finder's warrants expired                          | -                 | 2,944               | (2,944)          | -                                 | -                     | -                   |
| Share issue costs – cash                           | -                 | (158,555)           | -                | -                                 | -                     | (158,555)           |
| Share issue costs – finders' shares                | 2,500,000         | -                   | -                | -                                 | -                     | -                   |
| Share issue costs – finders' warrants              | -                 | (37,500)            | 37,500           | -                                 | -                     | -                   |
| Share-based payments                               | 150,000           | 27,000              | -                | -                                 | -                     | 27,000              |
| Loss for the period                                | -                 | -                   | -                | -                                 | (1,812,166)           | (1,812,166)         |
| <b>Balance at September 30, 2018</b>               | <b>78,693,393</b> | <b>6,989,747</b>    | <b>37,500</b>    | <b>-</b>                          | <b>(2,713,631)</b>    | <b>4,313,616</b>    |
| Loss for the period                                | -                 | -                   | -                | -                                 | (732,121)             | (732,121)           |
| <b>Balance at December 31, 2018</b>                | <b>78,693,393</b> | <b>\$ 6,989,747</b> | <b>\$ 37,500</b> | <b>\$ -</b>                       | <b>\$ (3,445,752)</b> | <b>\$ 3,581,495</b> |

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

## **Nextleaf Solutions Ltd.**

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

**For the three months ended December 31, 2018, and December 31, 2017**

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### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Nextleaf Solutions Ltd. (the “Company” or “Nextleaf”) was incorporated under the laws of the province of British Columbia on October 6, 2015. The Company is an extraction and processing solutions company providing services to the licensed cannabis industry in Canada. The Company’s registered and records office is 1090 West Georgia Street, Suite 600, Vancouver, British Columbia, V6E 3V7.

On November 29, 2018, the Company entered into a binding and definitive Acquisition and Arrangement Agreement (the “Definitive Agreement”) which superseded a binding letter of intent (“LOI”) that the Company entered into with Legion Metals Corp. (“Legion”), a publicly listed company on the Canadian Securities Exchange, during the year ended September 30, 2018. Pursuant to the Definitive Agreement, Legion will acquire all of the issued and outstanding common shares of Nextleaf, in a reverse takeover transaction by way of plan of arrangement (the “Transaction”). As a condition to closing the Transaction, Nextleaf will complete a private placement equity financing (the “Private Placement”) for gross proceeds of a minimum of \$3,000,000, and maximum of \$7,000,000 (subject to an Over-Allotment Option) (Note 17).

On closing of the Transaction, it is anticipated that Nextleaf shareholders will hold between 95.5% and 97% of the shares of the resulting issuer (the “Resulting Issuer”), with the remaining shares of the resulting issuer being held by Legion shareholders. Additionally, the outstanding options and warrants to purchase common shares of Legion and Nextleaf will represent options and warrants to purchase common shares of the Resulting Issuer, with the number of common shares issuable upon exercise, and the exercise price, adjusted to reflect the terms of the Transaction. Furthermore, it is anticipated that Legion will change its name to “Nextleaf Solutions Ltd.” and will carry on with Nextleaf’s cannabis extraction technology business.

Closing of the Transaction remains subject to regulatory and exchange review and approval.

These condensed interim financial statements (“financial statements”) have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. These financial statements do not include any adjustments relating to the recoverability and classification of assets and liabilities that might be necessary should the Company be unable to continue in existence.

The Company has been incurring losses and generating negative cash flows since inception. The Company’s revenues have not yet risen to levels materially capable of covering its ongoing capital and operating costs. Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future or available under terms acceptable to the Company, or that the Company will generate sufficient revenue and positive cash flows from operations. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

## **Nextleaf Solutions Ltd.**

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

**For the three months ended December 31, 2018, and December 31, 2017**

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### **2. BASIS OF PRESENTATION**

These financial statements have been prepared in conformity with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company’s annual audited financial statements for the year ended September 30, 2018, and do not include all the information required for full annual financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). It is suggested that these financial statements be read in conjunction with the annual audited financial statements.

These financial statements have been prepared on the historical cost basis, except for financial instruments which are classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts in these financial statements are presented in Canadian dollars which is the functional currency of the Company.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

Except as set out below, the accounting policies, estimates and critical judgments, methods of computation and presentation applied in these financial statements are consistent with those of the most recent annual audited financial statements and are those the Company expects to adopt in its financial statements for the year ended September 30, 2019. Accordingly, these financial statements should be read in conjunction with the Company’s most recent annual audited financial statements.

#### **New accounting policies**

##### ***IFRS 9 – Financial Instruments***

The Company has adopted new accounting standard IFRS 9 - Financial Instruments, effective for annual periods beginning on or after January 1, 2018. The adoption of IFRS 9 did not result in any changes to the classification, measurement or carrying amounts of the Company’s existing financial instruments on the transition date of October 1, 2018.

The new standard brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39 - Financial instruments: recognition and measurement. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value.

The details of the new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

##### **Classification and measurement of financial assets and liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity, loans and receivables, and available-for-sale.

## Nextleaf Solutions Ltd.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

**For the three months ended December 31, 2018, and December 31, 2017**

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities. The classifications of financial liabilities remain the same under IFRS 9, as they were under IAS 39. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

A financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. The classifications of the Company's financial instruments given effect to the adoption of IFRS 9 are included in the significant accounting policy below, "Financial Instruments."

#### Impairment of financial assets

An 'expected credit loss' ("ECL") model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Company's financial assets measured at amortized cost and subject to the ECL model are shown in the table below. The adoption of the ECL impairment model had no impact on the carrying amounts of the Company's financial assets on the transition date given the receivables are substantially all current, due from related parties are due from credit worthy individuals, and promissory note receivable is due from a credit-worthy company with the note remaining in good standing. Additionally, there has been minimal historical customer default.

#### **Financial instruments**

All financial instruments are recognized initially at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

#### Classification and measurement

The Company classifies its financial instruments in the following categories based on the purpose for which the asset was acquired: FVTPL, amortized cost, FVOCI, and other financial liabilities. The impact of the adoption of IFRS 9 did not change the measurement approach of any of the financial instruments below. The Company's financial assets and financial liabilities are classified and measured as follows:

| Asset/Liability                          | Measurement Category        |                             | Subsequent measurement |
|--|-----------------------------|-----------------------------|------------------------|
|  | Original (IAS 39)           | New (IFRS 9)                |                        |
| Cash                                     | FVTPL                       | FVTPL                       | Fair value             |
| Receivables                              | Loans and receivables       | Amortized cost              | Amortized cost         |
| Due from related parties                 | Loans and receivables       | Amortized cost              | Amortized cost         |
| Subscriptions receivable                 | Loans and receivables       | Amortized cost              | Amortized cost         |
| Promissory note receivable               | Loans and receivables       | Amortized cost              | Amortized cost         |
| Accounts payable and accrued liabilities | Other financial liabilities | Other financial liabilities | Amortized cost         |



## **Nextleaf Solutions Ltd.**

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

**For the three months ended December 31, 2018, and December 31, 2017**

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### **3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### ***IFRS 15 – Revenues from contracts with customers***

IFRS 15 was issued with the intent of significantly enhancing consistency and comparability of revenue recognition practices across entities and industries. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretation. The new standard establishes a single, principles-based five-step model to be applied to all contracts with customers and introduces new and enhanced disclosure requirements.

The Company has adopted the modified retrospective approach which allows the cumulative impact of the adoption to be recognized in deficit as of October 1, 2018, and that the comparative figures will not be restated. Changes in accounting policies resulting from the adoption of IFRS 15 had no impact on the Company's financial statements or the reported amounts of revenues.

#### ***Revenue recognition***

The Company's revenue is comprised of equipment sales and the provision of processing services. Revenue is recognized when control over a product or service has been transferred to a customer, it is probable that future economic benefits will flow to the Company, and the amount of revenue can be reliably measured. Revenue is recorded based on the fair value of consideration received or receivable.

#### **Accounting standards issued but not yet effective**

A number of new IFRS standards, amendments to standards and interpretations are not yet effective for the year ended September 30, 2019, and have not been applied in preparing these financial statements.

- **IFRS 16: Leases.** A new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lease accounting model, effective for annual periods beginning on or after January 1, 2019. The Company is currently assessing the impact of this standard on the lease of its centralized processing facility (Note 16).
- **IFRIC 23: Uncertainty over Income Tax Treatments.** The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. The Company has preliminarily assessed that there will be no significant impact on adoption of the Interpretation.

## Nextleaf Solutions Ltd.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

**For the three months ended December 31, 2018, and December 31, 2017**

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### 4. RECEIVABLES

The Company's receivables comprise the following:

|   | <b>December 31,<br/>2018</b> | September 30,<br>2018 |
|---|------------------------------|-----------------------|
|   | \$                           | \$                    |
| Trade receivables                             | 8,095                        | 8,095                 |
| Sales tax recoverable                         | 108,411                      | 86,938                |
| Accrued Government grant receivable (Note 15) | -                            | 4,243                 |
|   | <b>116,506</b>               | 99,276                |

### 5. PREPAID EXPENSES AND ADVANCES

The Company's prepaid expenses and advances comprise the following:

|                            | <b>December 31,<br/>2018</b> | September 30,<br>2018 |
|----------------------------|------------------------------|-----------------------|
|                            | \$                           | \$                    |
| Conference fees            | 9,000                        | 9,000                 |
| Retainers                  | 37,856                       | 51,254                |
| Expense advances and other | 66,000                       | 82,126                |
|                            | <b>112,856</b>               | 142,380               |

## Nextleaf Solutions Ltd.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

For the three months ended December 31, 2018, and December 31, 2017

### 6. EQUIPMENT

|                                 | Extraction<br>Equipment<br>\$ | Furniture<br>and Equipment<br>\$ | Mobile<br>Trailer<br>\$ | Leasehold<br>Improvements<br>\$ | Total<br>\$      |
|---------------------------------|-------------------------------|----------------------------------|-------------------------|---------------------------------|------------------|
| <b>Cost</b>                     |                               |                                  |                         |                                 |                  |
| September 30, 2017              | 1,050,343                     | -                                | -                       | -                               | 1,050,343        |
| Additions                       | 1,466,919                     | 182,617                          | 257,173                 | 426,238                         | 2,332,947        |
| September 30, 2018              | 2,517,262                     | 182,617                          | 257,173                 | 426,238                         | 3,383,290        |
| <b>Accumulated depreciation</b> |                               |                                  |                         |                                 |                  |
| September 30, 2017              | 181,290                       | -                                | -                       | -                               | 181,290          |
| Depreciation                    | 239,029                       | 10,667                           | 47,360                  | -                               | 297,056          |
| September 30, 2018              | 420,319                       | 10,667                           | 47,360                  | -                               | 478,346          |
| <b>Cost</b>                     |                               |                                  |                         |                                 |                  |
| September 30, 2018              | 2,517,262                     | 182,617                          | 257,173                 | 426,238                         | 3,383,290        |
| Additions                       | 52,655                        | 5,000                            | -                       | 254,987                         | 312,642          |
| <b>December 31, 2018</b>        | <b>2,569,917</b>              | <b>187,617</b>                   | <b>257,173</b>          | <b>681,225</b>                  | <b>3,695,932</b> |
| <b>Accumulated depreciation</b> |                               |                                  |                         |                                 |                  |
| September 30, 2018              | 420,319                       | 10,667                           | 47,360                  | -                               | 478,346          |
| Depreciation                    | 64,250                        | 8,843                            | 6,801                   | -                               | 79,894           |
| <b>December 31, 2018</b>        | <b>484,569</b>                | <b>19,510</b>                    | <b>54,161</b>           | <b>-</b>                        | <b>558,240</b>   |
| <b>Net book value</b>           |                               |                                  |                         |                                 |                  |
| September 30, 2018              | 2,096,943                     | 171,950                          | 209,813                 | 426,238                         | 2,904,944        |
| <b>December 31, 2018</b>        | <b>2,085,348</b>              | <b>168,107</b>                   | <b>203,012</b>          | <b>681,225</b>                  | <b>3,137,692</b> |

Certain of the Company's equipment was not yet in use as at December 31, 2018, and September 30, 2018. Depreciation is taken when items are in the location and condition necessary for it to be capable of operating in a manner intended by management. The leasehold improvements were not in use as at December 31, 2018, and September 30, 2018, therefore no depreciation was taken during the periods then ended.

As at December 31, 2018, the Company had paid cash deposits for additional cannabis extraction equipment in the amount of \$65,704 (September 30, 2018 - \$65,704). The equipment had not yet been received as at December 31, 2018.

## **Nextleaf Solutions Ltd.**

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

**For the three months ended December 31, 2018, and December 31, 2017**

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### **7. SHAREHOLDERS' EQUITY**

#### **Authorized**

Unlimited number of common shares with no par value.

#### **Issued and Outstanding**

As at December 31, 2018, the total issued and outstanding share capital consists of 78,693,393 (September 30, 2018 – 78,693,393) common shares.

During the year ended September 30, 2018, the Company completed a forward stock split of its issued and outstanding common shares on a 2.25-old-for-1-new basis ("2:25:1"). As a result, all common shares, warrants, and per share amounts were retroactively restated to reflect the effect of the forward stock split during the year then ended.

#### **Share issuances during the period ended December 31, 2018:**

- The Company did not issue any common shares during the period ended December 31, 2018.

#### **Share issuances during the period ended December 31, 2017:**

- The Company issued 3,708,252 common shares pursuant to a private placement financing at \$0.1111 per share for gross proceeds of \$412,028, of which \$342,645 was received during the year ended September 30, 2017, and was recorded as subscriptions received in advance as at September 30, 2017.
- The Company received \$1,093,381 in subscriptions for private placement financings that were completed subsequent to December 31, 2017, as noted below.

#### **Share issuances subsequent to December 31, 2017, and up to September 30, 2018:**

- The Company issued 8,275,144 common shares and/or units pursuant to private placement financings for gross proceeds of \$1,153,301, of which \$1,093,381 was received during the period ended December 31, 2017.
- The Company issued 150,000 shares with a fair value of \$27,000 for services provided by a consultant which were recorded as share-based payment expense.
- The Company issued 15,143,691 common shares upon the exercise of finders' warrants for gross proceeds of \$3,357,490.
- The Company issued 2,500,000 common shares (finders' shares) at a value of \$450,000 for services provided related to share issuances within share issue costs, having a net \$Nil effect on share capital.

## Nextleaf Solutions Ltd.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

**For the three months ended December 31, 2018, and December 31, 2017**

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### 7. SHAREHOLDERS' EQUITY (continued)

Share issuances subsequent to December 31, 2017, and up to September 30, 2018 (continued):

- The Company issued 1,399,710 common shares on the exercise of share purchase warrants whereby no proceeds were received on exercise as the exercise price was applied against the balance owed by the Company to the warrant holders.
- The Company incurred cash share issue costs of \$158,555 in connection with the private placement financings noted above. Additionally, the Company issued 750,000 finders' warrants with a fair value of \$37,500 recorded as share issue costs.

In connection with the share issuances during the year ended September 30, 2018, \$855,768 of the gross proceeds were included within subscriptions receivable as at September 30, 2018. The amounts were collected in full during the period ended December 31, 2018.

#### Warrants

|  | Number of<br>warrants<br>outstanding | Weighted<br>average<br>exercise price |
|--|--------------------------------------|---------------------------------------|
| Balance, September 30, 2017                        | 16,103,799                           | \$ 0.21                               |
| Issued – attached to units                         | 3,708,252                            | 0.22                                  |
| Issued – finders' warrants                         | 750,000                              | 0.25                                  |
| Exercised  | (16,543,401)                         | 0.22                                  |
| Expired  | (3,268,650)                          | 0.22                                  |
| Balance, December 31, 2018, and September 30, 2018 | 750,000                              | \$ 0.25                               |

| Number of<br>warrants<br>outstanding | Weighted<br>average<br>exercise<br>price | Expiry Dates  | Weighted<br>average<br>remaining life<br>(years) |
|--------------------------------------|--|---------------|--|
| 750,000                              | \$ 0.25                                  | March 1, 2019 | 0.16   |

## Nextleaf Solutions Ltd.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

**For the three months ended December 31, 2018, and December 31, 2017**

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### 8. RELATED PARTY TRANSACTIONS

#### Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and Corporate Officers.

The remuneration of key management for the periods ended December 31, 2018, and 2017 are as follows:

|                 | <b>2018</b> | <b>2017</b> |
|-----------------|-------------|-------------|
|                 | \$          | \$          |
| Consulting fees | 110,400     | 70,200      |

#### Amounts due from (to) related parties

The following amounts are due from (to) related parties as at December 31, 2018, and September 30, 2018:

|  | <b>December 31,<br/>2018</b> | <b>September 30,<br/>2018</b> |
|--|------------------------------|-------------------------------|
|  | \$                           | \$                            |
| Accounts payable and accrued liabilities | (175,243)                    | (138,286)                     |
| Due from related parties <sup>(1)</sup>  | 80,770                       | 102,773                       |
| Prepaid expenses                         | 34,773                       | 50,477                        |

<sup>(1)</sup> Interest income of \$1,270 (2017 - \$nil) on amounts included in due from related parties was recorded within general and administration during the period ended December 31, 2018.

## **Nextleaf Solutions Ltd.**

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

**For the three months ended December 31, 2018, and December 31, 2017**

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### **9. FINANCIAL INSTRUMENTS**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly;
- Level 3 - Inputs that are not based on observable market data.

#### **Fair value risk**

The Company's financial instruments consist of cash, receivables, due from related parties, subscriptions receivable, promissory note receivable, and accounts payable and accrued liabilities.

The Company's financial instruments with the exception of cash approximate their fair values. Cash, under the fair value hierarchy is based on Level 1 quoted prices in active markets for identical assets or liabilities.

#### **Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held with a Canadian chartered bank and accordingly, the Company's exposure to credit risk is considered insignificant. The Company's exposure to its trade receivables equates to their carrying value. The Company's sales tax recoverable represents refunds due from the Government of Canada and the exposure to credit risk on this amount is considered to be limited.

#### **Liquidity risk**

The Company manages liquidity risk by maintaining an adequate level of cash to meet its ongoing obligations. The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future. As at December 31, 2018, the Company had working capital of \$167,059, and requires additional financing to meet its business objectives.

#### **Market risk**

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk, and price risk as follows:

##### **(i) Currency risk**

Currency risk is the risk of change in profit or loss that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to currency risk as it occasionally incurs equipment purchases denominated in the United States dollar, and has historically raised equity financing in Australian Dollars. As at December 31, 2018, the Company held cash, and accounts payable and accrued liabilities in United States dollars. A 10% change in the exchange rate between the United States dollar and the Canadian dollar, would have impacted loss and comprehensive loss by approximately \$11,000.

## **Nextleaf Solutions Ltd.**

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

**For the three months ended December 31, 2018, and December 31, 2017**

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### **9. FINANCIAL INSTRUMENTS (continued)**

#### **Market risk (continued)**

##### **(ii) Interest rate risk**

The Company is not exposed to interest rate risk because it does not have any assets or liabilities subject to variable rates of interest, except for cash held in interest-bearing accounts which poses an insignificant risk exposure.

##### **(iii) Price risk**

Equity price risk is defined as the potential adverse impact on the Company's results of operations due to movements in individual equity prices or general movements in the level of the stock market. The Company currently operates as a private company which limits its exposure to price risk, however, the Company has completed several private placement financings, and therefore it is exposed to price risk with respect to equity prices set on its offerings which may impact the level of funds raised and number of common shares issued in those financings. The Company's risk level with respect to price risk will increase when the Company becomes publicly traded.

### **10. CAPITAL RISK MANAGEMENT**

The Company defines capital as the components of shareholders' equity. The Company's objectives when managing capital are to support further advancement of the Company's business objectives, as well as to ensure that the Company is able to meet its financial obligations as they come due.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company relies on the expertise of the Company's management to sustain the future development of the business. 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 December 31, 2018. The Company is not subject to externally imposed capital requirements.



## Nextleaf Solutions Ltd.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

**For the three months ended December 31, 2018, and December 31, 2017**

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### 11. GENERAL AND ADMINISTRATION

General and administration expense for the periods ending December 31, 2018 and 2017 comprise the following:

|                              | 2018           | 2017           |
|------------------------------|----------------|----------------|
|                              | \$             | \$             |
| Bank charges                 | 8,646          | 671            |
| Depreciation (Note 6)        | 79,894         | 67,938         |
| Foreign exchange loss (gain) | (7,589)        | 3,308          |
| Insurance                    | 5,329          | 7,839          |
| Interest income              | (2,310)        | -              |
| Office                       | 27,767         | 7,338          |
| Rent                         | 31,968         | 6,335          |
| Repairs and maintenance      | 17,537         | -              |
| Research                     | 55,256         | -              |
| Wages and salaries           | 134,492        | 58,877         |
|                              | <u>350,990</u> | <u>152,306</u> |

### 12. COST OF SALES

Cost of sales for the periods ending December 31, 2018 and 2017 comprise the following:

|                           | 2018     | 2017          |
|---------------------------|----------|---------------|
|                           | \$       | \$            |
| Contractors               | -        | 22,034        |
| Supplies and utilities    | -        | 18,420        |
| New equipment (inventory) | -        | 28,885        |
|                           | <u>-</u> | <u>69,339</u> |

### 13. SEGMENTED INFORMATION

The Company has a single reportable segment: the provision of extraction and processing solutions and equipment to the cannabis industry in Canada. All of the Company's revenues are generated in Canada, and its non-current assets are located in Canada.

### 14. PROMISSORY NOTE RECEIVABLE

The Company has provided a promissory note to an equipment supplier which bears annual interest at 3%. As at December 31, 2018, the total amount receivable by the Company was \$211,040 (comprising \$210,000 principal and \$1,040 accrued interest), (September 30, 2018 - \$55,000 principal).

## Nextleaf Solutions Ltd.

Notes to the Condensed Interim Financial Statements

Unaudited – Prepared by Management

(Expressed in Canadian Dollars)

**For the three months ended December 31, 2018, and December 31, 2017**

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### 15. GOVERNMENT GRANT

#### National Research Council Canada – Industrial Research Assistance Program (“NRC”)

The Company entered into an agreement with the NRC to receive a grant for a project pertaining to the removal of chlorophyll and like impurities from crude oil extracts. The grant will reimburse the Company for 80% of supported salary costs to a maximum of \$80,000 for the calendar 2018/2019 period and \$22,000 for the calendar 2019/2020 period.

The project started during the year ended September 30, 2018. The Company records amounts reimbursable from eligible expenditures as income from Government grant. As at December 31, 2018, \$nil (September 30, 2018 - \$4,243) is included in receivables (Note 4).

### 16. COMMITMENT

The Company has entered into a warehouse lease agreement for the lease of its centralized processing facility which is currently under renovation (leasehold improvements). The lease is for the period from July 1, 2018 to June 30, 2023. Minimum annual commitments are as follows:

| <b>Year</b>         | <b>Total commitment</b> |
|---------------------|-------------------------|
| 2019 <sup>(1)</sup> | \$ 47,853               |
| 2020                | 63,804                  |
| 2021                | 65,113                  |
| 2022                | 68,712                  |
| 2023                | 52,424                  |
|                     | <u>\$ 297,906</u>       |

<sup>(1)</sup> Represents the remaining commitment for the fiscal year ending September 30, 2019.

### 17. SUBSEQUENT EVENT

On February, 15, 2019, the Company completed a brokered private placement equity financing of 2,654,014 units at a price of \$0.35 per unit for gross proceeds of \$928,905. Each unit consists of one common share and one common share purchase warrant of the Company exercisable at \$0.70 per share until February, 15, 2021.

The Company has received shareholder approval in respect of the Transaction (Note 1). Pursuant to which, Legion will acquire all of the issued and outstanding common shares of Nextleaf in a reverse takeover transaction.

**LEGION METALS CORP.**

**PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018**

**(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)**

**LEGION METALS CORP.**  
**PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2018  
(Unaudited - Expressed in Canadian Dollars)

|  | <b>Legion Metals Corp.</b> | <b>Nextleaf Solutions Ltd.</b> | Note | <b>Pro Forma Adjustments</b> | <b>Pro Forma Consolidated</b> |
|--|----------------------------|--------------------------------|------|------------------------------|-------------------------------|
| <b>ASSETS</b>                                |                            |                                |      |                              |                               |
| <b>Current</b>                               |                            |                                |      |                              |                               |
| Cash   | \$ 84,585                  | \$ 579,937                     | 4(a) | \$ (75,000)                  |                               |
|  |                            |                                | 4(b) | 4,600,000                    | 5,189,522                     |
| Receivables                                  | 58,368                     | 116,506                        |      | -                            | 174,874                       |
| Prepaid expenses and advances                | -                          | 112,856                        |      | -                            | 112,856                       |
| Due from related parties                     | -                          | 80,770                         |      | -                            | 80,770                        |
| Investment                                   | -                          | -                              | 4(c) | 150,000                      | 150,000                       |
|  | <u>142,953</u>             | <u>890,069</u>                 |      | <u>4,675,000</u>             | <u>5,708,022</u>              |
| <b>Promissory note receivable</b>            | -                          | 211,040                        |      | -                            | 211,040                       |
| <b>Exploration and evaluation properties</b> | 150,000                    | -                              | 4(c) | (150,000)                    | -                             |
| <b>Equipment deposits</b>                    | -                          | 65,704                         |      | -                            | 65,704                        |
| <b>Equipment</b>                             | <u>-</u>                   | <u>3,137,692</u>               |      | <u>-</u>                     | <u>3,137,692</u>              |
|  | <u>\$ 292,953</u>          | <u>\$ 4,304,505</u>            |      | <u>\$ 4,525,000</u>          | <u>\$ 9,122,458</u>           |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |                            |                                |      |                              |                               |
| <b>Current</b>                               |                            |                                |      |                              |                               |
| Accounts payable and accrued liabilities     | <u>4,250</u>               | <u>723,010</u>                 |      | <u>-</u>                     | <u>727,260</u>                |
| <b>SHAREHOLDERS' EQUITY</b>                  |                            |                                |      |                              |                               |
| Share capital                                | 698,045                    | 6,989,747                      | 4(a) | 1,276,460                    |                               |
|  |                            |                                | 4(a) | (698,045)                    |                               |
|  |                            |                                | 4(b) | 5,000,000                    |                               |
|  |                            |                                | 4(b) | (360,000)                    |                               |
|  |                            |                                | 4(b) | (40,000)                     |                               |
|  |                            |                                | 4(b) | (153,172)                    | 12,713,035                    |
| Reserves                                     | 60,901                     | 37,500                         | 4(a) | (60,901)                     |                               |
|  |                            |                                | 4(a) | 11,455                       |                               |
|  |                            |                                | 4(b) | 153,172                      | 202,127                       |
| Deficit                                      | (470,243)                  | (3,445,752)                    | 4(a) | 470,243                      |                               |
|  |                            |                                | 4(a) | (1,074,212)                  | (4,519,964)                   |
|  | <u>288,703</u>             | <u>3,581,495</u>               |      | <u>4,525,000</u>             | <u>8,395,198</u>              |
|  | <u>\$ 292,953</u>          | <u>\$ 4,304,505</u>            |      | <u>\$ 4,525,000</u>          | <u>\$ 9,122,458</u>           |

**LEGION METALS CORP.****PRO FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian Dollars)

|                                  | <b>Legion Metals<br/>Corp.</b>                 | <b>Nextleaf Solutions Ltd.</b>                 |      | <b>Pro Forma<br/>Adjustments</b> | <b>Pro Forma<br/>Consolidated</b> |
|----------------------------------|--|--|------|----------------------------------|-----------------------------------|
|                                  | <b>Nine months ended<br/>December 31, 2018</b> | <b>Nine months ended<br/>December 31, 2018</b> | Note |                                  |                                   |
| <b>Revenue</b>                   |  |  |      |                                  |                                   |
| Equipment sales                  | \$ -   | \$ 127,236                                     |      | \$ -                             | \$ 127,236                        |
| Processing services              | -  | 396,172  |      | -                                | 396,172                           |
| Digital assets sold              | 21,535   | -  |      | -                                | 21,535                            |
|                                  | <u>21,535</u>                                  | <u>523,408</u>                                 |      | <u>-</u>                         | <u>544,943</u>                    |
| <b>Cost of sales</b>             |  |  |      |                                  |                                   |
| Cost of sales                    | -  | 640,631  |      | -                                | 640,631                           |
| Cost of digital assets sold      | 58,164   | -  |      | -                                | 58,164                            |
|                                  | <u>(58,164)</u>                                | <u>(640,631)</u>                               |      | <u>-</u>                         | <u>(698,795)</u>                  |
| <b>Expenses</b>                  |  |  |      |                                  |                                   |
| Filing fees                      | 20,592   | -  |      | -                                | 20,592                            |
| General and administration       | 15,538   | 539,021  |      | -                                | 554,559                           |
| Income from Government grant     | -  | (25,126)                                       |      | -                                | (25,126)                          |
| Professional fees and consulting | 37,437   | 960,911  |      | -                                | 998,348                           |
| Property investigation           | 1,600  | -  |      | -                                | 1,600                             |
| Sales and marketing              | -  | 310,953  |      | -                                | 310,953                           |
| Share-based payments             | -  | 27,000   |      | -                                | 27,000                            |
|                                  | <u>(75,167)</u>                                | <u>(1,812,759)</u>                             |      | <u>-</u>                         | <u>(1,887,926)</u>                |
| <b>Impairment</b>                | (8,716)  | -  |      | -                                | (8,716)                           |
| <b>Loss on sale of assets</b>    | (54,917)                                       | -  |      | -                                | (54,917)                          |
| <b>Listing expense</b>           | -  | -  | 4(a) | (1,074,212)                      | (1,074,212)                       |
|                                  | <u>\$ (175,429)</u>                            | <u>\$ (1,929,982)</u>                          |      | <u>\$ (1,074,212)</u>            | <u>\$ (3,179,623)</u>             |

**LEGION METALS CORP.****PRO FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited - Expressed in Canadian Dollars)

|  | <b>Legion Metals Corp.</b>       |    | <b>Nextleaf Solutions Ltd.</b>       |      | <b>Note</b> | <b>Pro Forma Adjustments</b> | <b>Pro Forma Consolidated</b> |
|--|----------------------------------|----|--------------------------------------|------|-------------|------------------------------|-------------------------------|
|  | <b>Year ended March 31, 2018</b> |    | <b>Year ended September 30, 2018</b> |      |             |                              |                               |
| <b>Revenue</b>                         | \$ -                             | \$ | 523,408                              |      |             | \$ -                         | \$ 523,408                    |
| <b>Cost of sales</b>                   | -                                |    | (640,631)                            |      |             | -                            | (640,631)                     |
|  | -                                |    | (117,223)                            |      |             | -                            | (117,223)                     |
| <b>Digital assets sold</b>             | 10,289                           |    | -                                    |      |             | -                            | 10,289                        |
| <b>Cost of digital assets sold</b>     | (17,644)                         |    | -                                    |      |             | -                            | (17,644)                      |
|  | (7,355)                          |    | -                                    |      |             | -                            | (7,355)                       |
| <b>Expenses</b>                        |                                  |    |                                      |      |             |                              |                               |
| Filing fees                            | 38,374                           |    | -                                    |      |             | -                            | 38,374                        |
| General and administration             | 7,496                            |    | 718,694                              |      |             | -                            | 726,190                       |
| Income from Government grant           | -                                |    | (8,855)                              |      |             | -                            | (8,855)                       |
| Professional fees and consulting       | 74,435                           |    | 1,150,175                            |      |             | -                            | 1,224,610                     |
| Property investigation                 | 1,600                            |    | -                                    |      |             | -                            | 1,600                         |
| Sales and marketing                    | -                                |    | 199,881                              |      |             | -                            | 199,881                       |
| Share-based payments                   | 7,000                            |    | 27,000                               |      |             | -                            | 34,000                        |
|  | (128,905)                        |    | (2,086,895)                          |      |             | -                            | (2,215,800)                   |
| <b>Loss on impairment of equipment</b> | (143,000)                        |    | -                                    |      |             | -                            | (143,000)                     |
| <b>Listing expense</b>                 | -                                |    | -                                    | 4(a) |             | (1,074,212)                  | (1,074,212)                   |
|  | -                                |    | -                                    |      |             | -                            | -                             |
|  | \$ (279,260)                     | \$ | (2,204,118)                          |      |             | \$ (1,074,212)               | \$ (3,557,590)                |

**LEGION METALS CORP.****NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018

(Unaudited - Expressed in Canadian Dollars)

**NOTE 1 – BASIS OF PRESENTATION**

Legion Metals Corp. (“Legion” or the “Company”) was incorporated under the laws of the province of British Columbia on December 8, 2016. On December 12, 2017, the Company completed its initial public offering (“IPO”) and is now publicly traded on the Canadian Securities Exchange (“CSE”) under the ticker “LEGN”. The Company’s registered and records office is 1090 West Georgia Street, Suite 600, Vancouver, British Columbia, V6E 3V7.

The accompanying unaudited pro forma consolidated financial statements of Legion have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) from information derived from the financial statements of Legion and the financial statements of Nextleaf Solutions Ltd. (“Nextleaf”) to give effect to the proposed transaction (the “Transaction”) as described in Note 3.

These unaudited pro forma consolidated financial statements of the Company are compiled from and include, and should be read in conjunction with the following:

- a. The unaudited financial statements of Legion as at and for the three and nine months ended December 31, 2018;
- b. The unaudited financial statements of Nextleaf as at and for the three months ended December 31, 2018; and unaudited financial information of Nextleaf for the nine months ended December 31, 2018;
- c. The audited financial statements of Nextleaf for the year ended September 30, 2018;
- d. The audited financial statements of Legion for the year ended March 31, 2018; and
- e. The additional information set out in Note 3.

The unaudited pro forma consolidated statement of financial position as at December 31, 2018 has been prepared as if the transactions (Note 4) had occurred on December 31, 2018. The unaudited pro forma consolidated statement of loss and comprehensive loss for the nine month period ended December 31, 2018 has been prepared as if the transactions had occurred on April 1, 2018, while the unaudited pro forma consolidated statement of loss and comprehensive loss for the year ended March 31, 2018 has been prepared as if the transactions had occurred on April 1, 2017.

These unaudited pro forma consolidated financial statements are not necessarily indicative of the financial position that would have been achieved if the proposed transactions had been completed on the dates indicated, nor do they purport to project the financial position or results of operations of the combined entity for any future period. In the opinion of the management of Legion and Nextleaf, these unaudited pro forma consolidated statements include all adjustments necessary for the fair presentation, in all material respects, of the transactions described in Note 4. These unaudited pro forma consolidated financial statements do not reflect any cost savings that could result from the combination of the operations of Legion and Nextleaf, as management does not anticipate any material cost savings as a result of the Transaction.

The pro forma adjustments are based in part on estimates, including the fair values of the assets acquired and liabilities assumed, as applicable. For purposes of the pro forma consolidated statement of financial position, it is assumed that there are no tax consequences and no income tax effect is being recorded. Both entities have incurred losses since inception and when combined are also not expected to generate profits in the immediate future, and therefore neither entity carries any deferred tax assets in its most recent financial statements. The pro forma effective statutory Canadian income tax rate applicable to the operations of the combined entity subsequent to the completion of the Transaction is approximately 27%.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

The unaudited pro forma consolidated statement of financial position has been compiled using significant accounting policies consistent with those set out in the audited financial statements of Nextleaf and Legion for the years ended September 30, 2018, and March 31, 2018 respectively, and the unaudited condensed interim financial statements of Nextleaf for the three month period ended December 31, 2018, and the unaudited condensed interim financial statements of Legion for the three and nine month periods ended December 31, 2018.

## **LEGION METALS CORP.**

### **NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018

(Unaudited - Expressed in Canadian Dollars)

#### **NOTE 3 – PROPOSED TRANSACTION**

On November 18, 2018, the Company entered into a definitive Acquisition Agreement to complete a reverse takeover transaction by way of plan of arrangement (the “Transaction”) with Nextleaf, a privately held company incorporated under the laws of the province of British Columbia. Nextleaf is an extraction and processing solution company providing services and sale of related equipment to the licensed cannabis industry in Canada.

Under the terms of the agreement, the following events must occur at closing of the Transaction:

- Prior to the closing of the Transaction, Legion shall transfer the Millen Mountain Property to Myriad Metals Corp. (“Spinco”), a private company incorporated under the provision of the BCA and is a wholly owned subsidiary of Legion, in consideration of the Distributed Spinco Shares (Note 4(c)).
- Prior to the closing of the Transaction, Nextleaf shall complete a private placement equity financing (the “Private Placement”) having gross proceeds of no less than \$3,000,000 and of no more than \$7,000,000 (subject to the Over Allotment Option to increase such financing gross proceeds by 15%), at a price of \$0.35 per unit comprising one ordinary share and one share purchase warrant to purchase a further ordinary share at \$0.70. Nextleaf will pay financing costs of 8% of gross proceeds raised and an additional \$40,000 agent finance fee as well as agent’s compensation options of 8% of the total number of units sold through agents assisting with such financing (Note 4(b)); and
- Each Nextleaf Share that is issued and outstanding immediately following the Private Placement will be transferred, and will be deemed to be transferred, without any act or formality on the Nextleaf Shareholder’s part, to Legion in exchange for one (1) fully paid and non-assessable Legion Share and each Nextleaf share purchase warrant and Nextleaf agent’s compensation option shall be exchanged for a Legion share purchase warrant and Legion agent’s compensation option for an equal number of shares and price and the same exercise term; and

The completion of the Transaction is subject to a number of conditions, including receipt of applicable regulatory and shareholder approvals and completion of the Private Placement. There can be no assurance that the Transaction will be completed as proposed or at all. Furthermore, it is anticipated that Legion will change its name to “Nextleaf Solutions Ltd.” and will carry on with Nextleaf’s cannabis extraction technology business.

#### **Legion share consolidation**

Prior to completion of the Transaction, the common shares of Legion will be consolidated on a basis of 1 for every 3.5 share issued and outstanding.

#### **Reverse Takeover and Transaction Accounting**

On closing of the Transaction, it is anticipated that Nextleaf shareholders will hold between 95.5% and 97% of the shares of the resulting issuer (the “Resulting Issuer”), thereby obtaining control of the Resulting Issuer and the resulting power to govern the financial and operating policies of the combined entities.

Although the Transaction resulted in a single entity, control passed to the former shareholders of Nextleaf and the Transaction constitutes a reverse takeover of Legion by Nextleaf and has been accounted for as a reverse takeover transaction in accordance with the guidance provided by IFRS 2 *Share-based Payments* and IFRS 3 *Business Combinations*. As Legion did not constitute a business according to the definitions within IFRS 3, the reverse takeover does not constitute a business combination; rather the Transaction was accounted for as an asset acquisition and including Legion’s public listing. Accordingly, no goodwill or intangible assets were recorded with respect to the Transaction as it does not constitute a business.

For accounting purposes, Nextleaf will be treated as the accounting parent company (legal subsidiary) and Legion as the accounting subsidiary (legal parent).



**LEGION METALS CORP.****NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018

(Unaudited - Expressed in Canadian Dollars)

**NOTE 3 – PROPOSED TRANSACTION** (continued)

The Transaction is measured at the fair value of the shares that Nextleaf would have had to issue to shareholders of Legion to give shareholders of Legion the same percentage equity interest in the combined entity that results from the reverse takeover had it taken the legal form of Nextleaf acquiring Legion. The fair value of the common shares was determined to be \$0.35 based on the concurrent Private Placement being conducted by Nextleaf and is considered a significant estimate and judgment.

A listing expense of \$1,074,212 has been charged to the statement of loss and comprehensive loss to reflect the difference between the fair value of consideration paid, and the fair value of the net assets acquired from Legion in accordance with IFRS 2.

**NOTE 4 – PRO FORMA ADJUSTMENTS AND ASSUMPTIONS**

The unaudited pro forma consolidated financial statements reflect the following adjustments:

a) **Consideration paid and fair value of net assets acquired**

The consideration paid and the fair value of the net assets (liabilities) of Legion as at December 31, 2018, prior to the Transaction were:

|   | <u>Amount</u>    |
|---|------------------|
|   | (\$)             |
| <b>Consideration paid:</b>                              |                  |
| Common shares   | 1,276,460        |
| Replacement warrants                                    | 11,455           |
| Transaction costs - cash                                | 75,000           |
|   | <u>1,362,915</u> |
| Less: Fair value of net assets (liabilities) of Legion: |                  |
| Cash  | 84,585           |
| Receivables   | 58,368           |
| Exploration and evaluation properties (Investment)      | 150,000          |
| Accounts payable and accrued liabilities                | (4,250)          |
| Net assets acquired                                     | <u>288,703</u>   |
| Listing expense   | <u>1,074,212</u> |

The consideration of 3,647,029 post-consolidated Legion common shares at a fair value of \$0.35 per share was recorded in the amount of \$1,276,460; the fair value of 112,203 post-consolidated Legion replacement finders' warrants was recorded in the amount of \$11,455; and the elimination of historical shareholders' equity accounts of Legion was recorded.

The replacement finders' warrants were outstanding and exercisable in Legion prior to completion of the Transaction and were valued using the Black-Scholes option pricing model with the following assumptions: share price of \$0.35, exercise price of \$0.35, risk-free rate of 2.27%, expected volatility of 100%, and expected life of 0.542 years.

b) **Transaction Financing**

To record the estimated completion of the Private Placement comprising the estimated issuance of 16,142,857 units at \$0.35 per unit, for estimated gross proceeds of \$5,650,000. Each unit is comprised of one common share and one share purchase warrant, with each warrant exercisable at \$0.70 per share for a period of 24 months. The warrants attached to the units are determined to have a fair value of \$nil.

In connection with the Private Placement, estimated cash finders' fees totaling \$330,000 will be paid representing an average fee of 6% of the gross proceeds raised. Additionally, Nextleaf will incur a \$40,000 cash agents' finance fee, and issue 756,571 agents' compensation options, equal to an average of 5% of the shares issued in the Private Placement. Agent's compensation options will be exercisable for a period of 24 months from the date of issue at a price of \$0.35 per share.

**LEGION METALS CORP.****NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 2018

(Unaudited - Expressed in Canadian Dollars)

**NOTE 4 – PRO FORMA ASSUMPTIONS AND ADJUSTMENTS (continued)****b) Transaction Financing (continued)**

The agents' compensation options were valued at a total of \$153,172 using the following weighted average assumptions:

|                         |       |                        |        |
|-------------------------|-------|------------------------|--------|
| Risk-free interest rate | 2.27% | Share price            | \$0.35 |
| Expected volatility     | 100%  | Exercise price         | \$0.35 |
| Expected dividend yield | 0%    | Expected life (years)  | 2.00   |
|                         |       | Fair value per warrant | \$0.10 |

**c) Divestiture of exploration and evaluation properties**

Legion will transfer the Millen Mountain Property to Spinco, a private company incorporated under the provision of the BCA and is a wholly owned subsidiary of Legion, in consideration of the Distributed Spinco Shares. The gain or loss on transfer of the exploration and evaluation properties is estimated to be \$nil.

**Nextleaf Warrants**

Subsequent to December 31, 2018, a total of 750,000 Nextleaf share purchase warrants expired. After expiry of these warrants, Nextleaf has nil warrants outstanding.

**NOTE 5 – PRO FORMA SHARE CAPITAL**

Share capital as at December 31, 2018 after giving effect to the pro forma adjustments and assumptions discussed in Note 4 is as follows:

|   | <b>Note</b> | <b>Number of<br/>Common Shares</b> | <b>Amount<br/>(\$)</b> |
|---|-------------|------------------------------------|------------------------|
| <b>Issued</b>   |             |                                    |                        |
| Legion post-consolidated common shares outstanding at December 31, 2018 | 4(a)        | 3,647,029                          | 698,045                |
| Nextleaf common shares outstanding as at December 31, 2018              | 4(a)        | 78,693,393                         | 6,989,747              |
| Nextleaf Private Placement completed                                    | 4(b)        | 14,285,714                         | 5,000,000              |
| Share issue costs – Nextleaf Private Placement - cash                   | 4(b)        | -                                  | (400,000)              |
| Share issue costs – Nextleaf Private Placement - warrants               | 4(b)        | -                                  | (153,172)              |
| Acquisition adjustment – eliminate Nextleaf common shares               | 4(a)        | (92,979,107)                       | -                      |
| Acquisition adjustment – eliminate Legion share capital                 | 4(a)        | -                                  | (698,045)              |
| Acquisition adjustment – issuance of Legion common shares               | 4(a)        | 92,979,107                         | 1,276,460              |
|   |             | <u>96,626,136</u>                  | <u>12,713,035</u>      |

## CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Nextleaf Solutions Ltd. hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to (full legal name of the Issuer). It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia

This 18th day of March, 2019.

"Paul Pedersen"  
Paul Pedersen, Chief Executive Officer

"Charles Ackerman"  
Charles Ackerman, Chief Financial Officer

"Paul MacLeman"  
Paul MacLeman, Director

"Fred Bonner"  
Fred Bonner, Director

"Paul Pedersen"  
Paul Pedersen, Promoter

"Ryan Ko"  
Ryan Ko, Promoter

## CERTIFICATE OF THE TARGET

Pursuant to a resolution duly passed by its Board of Directors, Nextleaf Solutions Ltd. hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to (full legal name of the Issuer). It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia

This 18th day of March, 2019.

*"Paul Pedersen"*  
Paul Pedersen, Chief Executive Officer

*"Charles Ackerman"*  
Charles Ackerman, Chief Financial Officer

*"Paul MacLeman"*  
Paul MacLeman, Director

*"Fred Bonner"*  
Fred Bonner, Director

*"Paul Pedersen"*  
Paul Pedersen, Promoter

*"Ryan Ko"*  
Ryan Ko, Promoter