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
ASSETS			
Current			
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
		890,069	2,037,801
Promissory note receivable	14	211,040	55,000
Equipment deposits	6	65,704	65,704
Equipment	6	3,137,692	2,904,944
		3,414,436	3,025,648
		$ 4,304,505	$ 5,063,449
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	8	$ 723,010	$ 749,833
SHAREHOLDERS' EQUITY			
Share capital	7	6,989,747	6,989,747
Warrant reserve	7	37,500	37,500
Deficit		(3,445,752)	(2,713,631)
		3,581,495	4,313,616
		$ 4,304,505	$ 5,063,449

Nature and Continuance of Operations	1
Commitment	16
Subsequent Event	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
Revenue			
Equipment sales		$ -	$ 30,234
		-	30,234
Cost of sales	12	-	(69,339)
		-	(39,105)
Expenses			
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)
Loss and comprehensive loss for the period		$ (732,121)	$ (391,952)
Loss and comprehensive loss per share - basic and diluted		$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding		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
Cash flows used in operating activities			
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
		(645,793)	(111,365)
Cash flows used in investing activities			
Issuance of promissory note receivable		(155,000)	-
Purchases of equipment		(312,642)	(636,353)
		(467,642)	(636,353)
Cash flows from financing activities			
Issuance of common shares		-	69,383
Subscriptions received in advance		-	1,093,381
Collection of subscriptions receivable		855,768	59,912
		855,768	1,222,676
Change in cash		(257,667)	474,958
Cash, beginning of period		837,604	342,572
Cash, end of period		$ 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
Balance at September 30, 2017	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)
Balance at December 31, 2017	51,224,848	2,394,665	48,320	1,093,381	(901,465)	2,634,901
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)
Balance at September 30, 2018	78,693,393	6,989,747	37,500	-	(2,713,631)	4,313,616
Loss for the period	-	-	-	-	(732,121)	(732,121)
Balance at December 31, 2018	78,693,393	$ 6,989,747	$ 37,500	$ -	$ (3,445,752)	$ 3,581,495

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

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.

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.

<u>Classification and measurement of financial assets and liabilities</u>

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.

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:

	Measurement Category		
Asset/Liability	**Original (IAS 39)**	**New (IFRS 9)**	**Subsequent measurement**
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

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.

(Expressed in Canadian Dollars)

4. RECEIVABLES

The Company's receivables comprise the following:

	December 31, 2018	September 30, 2018
	$	$
Trade receivables	8,095	8,095
Sales tax recoverable	108,411	86,938
Accrued Government grant receivable (Note 15)	-	4,243
	116,506	99,276

5. PREPAID EXPENSES AND ADVANCES

The Company's prepaid expenses and advances comprise the following:

	December 31, 2018	September 30, 2018
	$	$
Conference fees	9,000	9,000
Retainers	37,856	51,254
Expense advances and other	66,000	82,126
	112,856	142,380

(Expressed in Canadian Dollars)

6. EQUIPMENT

	Extraction Equipment $	Furniture and Equipment $	Mobile Trailer $	Leasehold Improvements $	Total $
Cost					
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
Accumulated depreciation					
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
Cost					
September 30, 2018	2,517,262	182,617	257,173	426,238	3,383,290
Additions	52,655	5,000	-	254,987	312,642
December 31, 2018	**2,569,917**	**187,617**	**257,173**	**681,225**	**3,695,932**
Accumulated depreciation					
September 30, 2018	420,319	10,667	47,360	-	478,346
Depreciation	64,250	8,843	6,801	-	79,894
December 31, 2018	**484,569**	**19,510**	**54,161**	**-**	**558,240**
Net book value					
September 30, 2018	2,096,943	171,950	209,813	426,238	2,904,944
December 31, 2018	**2,085,348**	**168,107**	**203,012**	**681,225**	**3,137,692**

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.

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.

(Expressed in Canadian Dollars)

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 warrants outstanding		Weighted average 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 warrants outstanding		Weighted average exercise price	Expiry Dates	Weighted average remaining life (years)
750,000	$	0.25	March 1, 2019	0.16

(Expressed in Canadian Dollars)

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:

	2018 $	2017 $
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:

	December 31, 2018 $	September 30, 2018 $
Accounts payable and accrued liabilities	(175,243)	(138,286)
Due from related parties (1)	80,770	102,773
Prepaid expenses	34,773	50,477

(1) 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.

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.

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.

(Expressed in Canadian Dollars)

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
	350,990	152,306

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
	-	69,339

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).

(Expressed in Canadian Dollars)

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:

Year	Total commitment	
2019[(1)]	$	47,853
2020		63,804
2021		65,113
2022		68,712
2023		52,424
	$	**297,906**

(1) 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.