Nextleaf Solutions Ltd.

(formerly Legion Metals Corp.)
Condensed Interim Consolidated Financial Statements
For the six months ended
March 31, 2019

Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Nextleaf Solutions Ltd. ("the Company") for the six months ended March 31, 2019 and March 31, 2018, have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by CPA Canada for a review of the condensed interim financial statements by an entity's auditor.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)
Condensed Interim Consolidated Statements of Financial Position
Unaudited – Prepared by Management
As at

	Note	March 31, 2019 $	September 30, 2018 $
Assets			
Current assets			
Cash		3,556,720	837,604
Receivables	4	156,713	99,276
Prepaid expenses and advances	5,8	364,508	142,380
Due from related parties	8	-	102,773
Subscriptions receivable	7	15,050	855,768
		4,092,991	2,037,801
Non-current assets			
Deposits	8,11	81,155	-
Promissory note receivable	14	524,257	55,000
Equipment deposits	6	84,704	65,704
Equipment	6	3,431,874	2,904,944
		4,121,990	3,025,648
Total assets		**8,214,981**	5,063,449
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	8	1,228,680	749,833
Total liabilities		**1,228,680**	749,833
Shareholders' equity			
Share capital	7	12,818,559	6,989,747
Reserves	7	2,086,900	37,500
Deficit		(7,919,158)	(2,713,631)
Total shareholders' equity		**6,986,301**	4,313,616
Total liabilities and shareholders' equity		**8,214,981**	5,063,449
Nature of operations and going concern	1		
Commitments	16		
Subsequent events	17		

Approved on behalf of the Board of Directors on May 30, 2019:

"Paul Pedersen" **Director** *"Charles Ackerman"* **Director**

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

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
Unaudited – Prepared by Management
For the six months ended

		Three months ended		Six months ended	
	Note	**March 31, 2019 $**	March 31, 2018 $	**March 31, 2019 $**	March 31, 2018 $
Revenue	9	-	221,002	-	251,236
Cost of sales		-	201,226	-	338,324
		-	19,776	-	(87,088)
Expenses					
Administrative expenses	9	136,519	121,924	283,022	90,976
Depreciation	6	110,366	180	190,260	180
Foreign exchange loss (gain)		138,900	(6,228)	131,311	(2,921)
Investor relations and advertising		139,164	25,353	250,236	49,326
Professional fees and consulting	8	544,623	366,293	830,953	528,234
Share-based payments	7,8	1,933,100	27,000	1,933,100	27,000
Wages and salaries		118,574	102,184	253,066	161,060
Loss from operating expenses		**(3,121,246)**	(636,706)	**(3,871,948)**	(853,855)
Income from Government grant	15	14,715	-	30,986	-
Interest income		3,192	2,625	5,502	2,625
Listing expense	3	(1,370,067)	-	(1,370,067)	-
		(1,352,160)	2,625	(1,333,579)	2,625
Loss and comprehensive loss for the period		**(4,473,406)**	(614,305)	**(5,205,527)**	(938,318)

Basic and diluted loss per common share	**(0.11)**	(0.01)	**(0.14)**	(0.02)
Weighted average number of common shares outstanding - basic and diluted	**39,680,376**	54,507,285	**36,562,563**	53,875,659

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

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)
Condensed Interim Consolidated Statements of Cash Flows
Unaudited – Prepared by Management
For the six months ended

	Note	**March 31, 2019 $**	March 31, 2018 $
Operating activities			
Loss and comprehensive loss for the period		(5,205,527)	(938,318)
Adjustments for:			
Depreciation	6	190,260	137,946
Share-based payments		1,933,100	27,000
Listing expense - non-cash portion		1,180,399	-
Accrued interest - promissory note receivable		(4,232)	-
Receivables		(50,626)	118,859
Prepaid expenses and advances		(228,283)	(39,411)
Due from related parties		27,773	(2,625)
Accounts payable and accrued liabilities		112,551	223,258
		(2,044,585)	(473,291)
Investing activities			
Issuance of promissory note receivable		(465,025)	-
Cash acquired on reverse acquisition	3	100,250	-
Purchases of equipment		(350,894)	(672,336)
Refund of equipment deposit		56,000	-
Payment of equipment deposits		(75,000)	(287,710)
		(734,669)	(960,046)
Financing activities			
Issuance of common shares, net of share issue costs		4,657,652	1,247,941
Collection of subscriptions receivable		840,718	74,495
		5,498,370	1,322,436
Change in cash		**2,719,116**	(110,901)
Cash, beginning of period		**837,604**	342,572
Cash, end of period		**3,556,720**	231,671

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

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
Unaudited – Prepared by Management
For the six months ended

	Common shares #	Share capital $	Reserves $	received in advance $	Deficit $	Total $
September 30, 2017	2,202,147	1,982,637	48,320	342,645	(509,513)	1,864,089
Private placement shares issued	11,983,396	1,565,328	-	(342,645)	-	1,222,683
Warrant exercise - debt settlement	954,000	148,389	(42,400)	-	-	105,989
Share issue costs - cash	-	(80,731)	-	-	-	(80,731)
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 and comprehensive loss	-	-	-	-	(938,318)	(938,318)
March 31, 2018	17,789,543	3,605,123	43,420	-	(1,447,831)	2,200,712
September 30, 2018	33,378,944	6,989,747	37,500	-	(2,713,631)	4,313,616
Private placement units issued	14,285,714	5,000,000	-	-	-	5,000,000
Reverse acquisition transaction:						-
Equity of Legion Metals Corp.	3,647,029	698,045	60,901	-	(651,886)	107,060
Elimination of equity of Legion Metals Corp.	-	(698,045)	(60,901)	-	651,886	(107,060)
Shares acquired of legal parent	(33,378,944)	-	-	-	-	-
Issuance of shares pursuant to reverse acquisition	78,693,393	1,276,460	-	-	-	1,276,460
Replacement warrants issued	-	-	11,000	-	-	11,000
Share issue costs - cash	-	(342,348)	-	-	-	(342,348)
Share issue costs - warrants	-	(105,300)	105,300	-	-	-
Share-based payments	-	-	1,933,100	-	-	1,933,100
Loss and comprehensive loss	-	-	-	-	(5,205,527)	(5,205,527)
March 31, 2019	**96,626,136**	**12,818,559**	**2,086,900**	**-**	**(7,919,158)**	**6,986,301**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.) ("Legion", the "Company") was incorporated under the laws of the province of British Columbia on December 8, 2016. The Company changed its name to Nextleaf Solutions Ltd., on March 14, 2019. The Company is a cannabis extraction technology company that has developed patented processes for the production of cannabinoid distillate. The Company's business involves acquiring, developing, and deploying large-scale cannabis and hemp extraction technologies and providing turn-key processing solutions to the licensed cannabis industry in Canada. The Company has developed a patent portfolio, which includes a number of granted and pending patents.

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's common shares trade on the Canadian Securities Exchange under the trading symbol "OILS."

On March 14, 2019, the Company acquired all of the issued and outstanding common shares of Nextleaf Innovations Ltd., ("Nextleaf") a private British Columbia cannabis extraction technology company incorporated on October 6, 2015, by an Acquisition and Arrangement Agreement by way of Plan of Arrangement (the "Transaction"). The Transaction was accounted for as a reverse acquisition ("RTO") of Legion by Nextleaf for accounting purposes, with Nextleaf being identified as the accounting acquirer, and accordingly, the Company is considered a continuation of Nextleaf. The net assets of Legion at the date of the RTO are deemed to have been acquired by Nextleaf (Note 3). These condensed interim consolidated financial statements (the "financial statements") include the results of operations of Legion from March 14, 2019. The comparative figures are those of Nextleaf prior to the RTO, with the exception of adjusting retroactively the capital (number of common shares) of Nextleaf to reflect the capital of the Legion. On closing of the Transaction, the outstanding stock options and warrants to purchase common shares of Legion and Nextleaf now represent stock options and warrants to purchase common shares of the consolidated Company.

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. SIGNIFICANT ACCOUNTING POLICIES

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 an historical cost basis, except for financial instruments which are classified as fair value through profit or loss, and 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 and its subsidiary.

Principles of consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiary Nextleaf Innovations Ltd., as follows:

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)	100%	Parent company
Nextleaf Innovations Ltd. (formerly Nextleaf Solutions Ltd.)	100%	Extraction solutions company

A subsidiary is an entity controlled by the Company and is included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of a subsidiary are changed where necessary to align them with the policies adopted by the Company.

The Company has accounted for Legion as a controlled entity requiring consolidation since the date of the RTO (Notes 1 and 3), effective March 14, 2019.

2. 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.

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. 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."

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, subscriptions receivable are collectible in full, and promissory note receivable is due from a credit-worthy company with the note remaining in good standing. Additionally, there is no history of customer default on receivables.

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

2. 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.

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.

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. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

- 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 has not yet completing the scoping and review of its lease of its centralized processing facility (Note 16). However, the Company initially anticipates the adoption of IFRS 16 to have a material impact on the statements of financial position primarily due to the capitalization and recognition and measurement of the right-of-use asset and lease liability associated with its centralized processing facility and initially intends to apply the transition to IFRS 16 under the modified retrospective approach. The impact on profit or loss will be a reduction of rent expense for the centralized processing facility, and instead will be replaced by an amortization of the right-of-use asset and interest (finance) costs on the lease liability. The lease contract is denominated in Canadian dollars, therefore there will be no volatility in foreign exchange amounts recognized in profit or loss.

- 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 initially anticipates that there will be no significant impact on adoption of the Interpretation.

3. REVERSE ACQUISITION

As described in Note 1, on March 14, 2019, the Company and Nextleaf completed a Transaction which constituted a reverse acquisition.

The Transaction resulted in the shareholders of Nextleaf obtaining control of the combined entity by obtaining control of the voting rights, governance, and management decision making processes, and the resulting power to govern the financial and operating policies of the combined entity.

The Transaction constitutes a RTO of Legion by Nextleaf and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2, *Share-based Payments* and IFRS 3, *Business Combinations*. As Legion did not qualify as a business according to the definition in IFRS 3, the RTO does not constitute a business combination; rather it is treated as an issuance of common shares by Nextleaf for the net assets of Legion and Legion's public listing, with Nextleaf as the continuing entity. Accordingly, no goodwill or intangible assets were recorded with respect to the transaction as it does not constitute a business.

For accounting purposes, Nextleaf was treated as the accounting parent company (legal subsidiary) and Legion has been treated as the accounting subsidiary (legal parent) in these financial statements. As Nextleaf was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these financial statements at their historical carrying values. Legion's results of operations have been included from March 14, 2019.

Net assets of Legion acquired:	**$**
Cash	100,250
Receivables	6,811
Net assets acquired	**107,061**

Consideration paid in RTO of Legion:	**$**
Common shares (fair value of 3,647,029 common shares at $0.35 per share)	1,276,460
Replacement warrants	11,000
Transaction costs - cash	189,668
Total consideration paid	**1,477,128**
Lising expense	**1,370,067**

The Transaction was measured at the fair value of the shares that Nextleaf would have had to issue to the shareholders of Legion, to give the shareholders of Legion the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of Nextleaf acquiring Legion.

4. RECEIVABLES

The Company's receivables comprise the following:

	March 31, 2019	September 30, 2018
	$	$
Accrued Government grant receivable (Note 14)	-	4,243
Sales tax recoverable	156,713	86,938
Trade receivables	-	8,095
	156,713	99,276

5. PREPAID EXPENSES AND ADVANCES

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

	March 31, 2019	September 30, 2018
	$	$
Conference fees	9,000	9,000
Expense advances and other	26,130	82,126
Investor relations and promotion	312,677	-
Retainers	16,701	51,254
	364,508	142,380

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	291,755	5,000	-	420,435	717,190
March 31, 2019	**2,809,017**	**187,617**	**257,173**	**846,673**	**4,100,480**
Accumulated depreciation					
September 30, 2018	420,319	10,667	47,360	-	478,346
Depreciation	152,410	17,686	20,164	-	190,260
March 31, 2019	**572,729**	**28,353**	**67,524**	**-**	**668,606**
Net book value					
September 30, 2018	2,096,943	171,950	209,813	426,238	2,904,944
March 31, 2019	**2,236,288**	**159,264**	**189,649**	**846,673**	**3,431,874**

Certain of the Company's equipment was not yet in use as at March 31, 2019, 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 March 31, 2019, and September 30, 2018, therefore no depreciation was taken during the period/year then ended.

As at March 31, 2019, the Company had paid cash deposits for additional cannabis extraction equipment in the amount of $84,704 (September 30, 2018 - $65,704). The equipment had not yet been received as at March 31, 2019.

During the six months ended March 31, 2019, depreciation of $190,260 was allocated entirely to expenses (2018 - $180), and $nil was allocated to cost of sales (2018 - $137,766).

7. SHAREHOLDERS' EQUITY

The authorized share capital of the Company consists of unlimited common shares without par value. All issued shares are fully paid.

Issued and Outstanding

Transactions for the issue of share capital during the six month period ended March 31, 2019:

- In conjunction with the closing of the RTO (Notes 1 and 3), the Company completed a brokered private placement of 14,285,714 units at a price of $0.35 per unit for gross proceeds of $5,000,000. Each unit consists of one common share and one common share purchase warrant exercisable at $0.70 per share until March 14, 2021.

  In connection with the private placement and closing of the RTO, the Company issued 569,446 compensatory finders' warrants with a fair value of $105,300, and assumed 112,203 replacement finders' warrants with a fair value of $11,000, respectively. The fair value of the replacement finders' warrants are included as part of consideration paid on closing of the RTO (Note 3).

  Additionally, the Company paid $342,348, in cash share issue costs in connection with completion of the private placement.

Transactions for the issue of share capital during the six month period ended March 31, 2018:

- The Company issued 3,708,252 common shares pursuant to a private placement 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 issued 8,275,144 common shares and/or units pursuant to private placements for gross proceeds of $1,153,300.

  The Company incurred cash share issue costs of $80,731 in connection with the above two private placements. Additionally, the Company issued 750,000 finders' warrants with a fair value of $37,500 recorded as share issue costs pursuant to these private placements.

- 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 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.

- The Company issued 954,000 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, in the amount of $105,989.

7. SHAREHOLDERS' EQUITY (continued)

Share issuances subsequent to March 31, 2018, and up to September 30, 2018:

- The Company issued 15,143,691 common shares upon the exercise of finders' warrants for gross proceeds of $3,357,490.

- The Company issued 445,710 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 $77,824 in connection with the private placements noted above.

  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. Certain amounts were collected during the six months ended March 31, 2019. As at March 31, 2019, subscriptions receivable totalled $15,050, which was collected subsequent to the end of the period.

Stock options

The Company has adopted a stock option plan (the "Plan") which provides eligible directors, officers, employees and consultants with the opportunity to acquire an common shares of the Company. 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 stock options have a maximum term of five years form the date of grant, and vest over periods as determined by the Board of Directors. The exercise price of stock options granted under the Plan will be determined by the Board of Directors.

A summary of the status of the Company's stock options as at March 31, 2019 and September 30, 2018 and changes during the period/year then ended is as follows:

	Six months ended March 31, 2019		Year ended September 30, 2018	
	Options #	Weighted average exercise price $	Options #	Weighted average exercise price $
Options outstanding, beginning of period/year	-	-	-	-
Granted - Performance stock options	7,500,000	0.35	-	-
Granted - Regular stock options	6,400,000	0.35	-	-
Assumed on RTO	200,000	0.35	-	-
Options outstanding, end of period/year	**14,100,000**	**0.35**	-	-

7. SHAREHOLDERS' EQUITY (continued)

Stock options (continued)

As at March 31, 2019, the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price $	Expiry date
200,000	200,000	0.35	May 1, 2022
13,900,000	13,900,000	0.35	March 15, 2024
14,100,000	**14,100,000**		

The following table summarizes information about the stock options outstanding at March 31, 2019:

Options #	Weighted average remaining life (years)	Weighted average exercise price $
14,100,000	**4.94**	0.35

During the six months ended March 31, 2019, 13,900,000 stock options were granted to officers, directors, employees and consultants of the Company, with varying vesting terms. Of the stock options granted, 7,500,000 stock options (the "performance stock options") were granted to officers and directors of the Company and vest upon achieving certain milestones.

The assumptions used in the calculation of the fair value of the performance stock options are detailed below. In addition to these assumptions, the Company also estimates the likelihood of achieving the above-mentioned milestones, which impacts the estimated fair value of the options on the grant date. The Company has estimated a 100% likelihood of achieving the milestones.

The Company recorded the fair value of all stock options granted using the Black-Scholes option pricing model. The fair value is particularly impacted by the Company's stock price volatility. As the Company has limited trading history, the volatility assumption is subject to significant measurement uncertainty. The fair value of the stock options granted was determined using the following weighted average assumptions:

	March 31, 2019
Risk-free interest rate	2.08%
Expected life of options	4.53
Volatility	100%
Dividend rate	0%

The total share-based payment expense for the six months ended March 31, 2019 was $1,933,100, which includes only those stock options that have met or do not include time-service related vesting conditions during the period. The total share-based payment expense for the six months ended March 31, 2018, was $27,000, which comprised the fair value of shares issued for services to a consultant.

7. SHAREHOLDERS' EQUITY (continued)

Warrants

As an incentive to complete private placements, the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to warrants attached to units sold in completed private placements. Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model.

A summary of the Company's common share purchase warrants as at March 31, 2019 and September 30, 2018 and changes during the period/year then ended is as follows:

	Six months ended March 31, 2019		Year ended September 30, 2018	
	Warrants #	Weighted average exercise price $	Warrants #	Weighted average exercise price $
Warrants outstanding, beginning of period/year	750,000	0.25	16,103,799	0.21
Issued - attached to units	14,285,711	0.70	3,708,252	0.22
Issued - finders' warrants	569,446	0.35	750,000	0.25
Replacement finders' warrants assumed on RTO	112,203	0.35	-	-
Exercised	-	-	(16,543,401)	0.22
Expired	(750,000)	0.25	(3,268,650)	0.22
Warrants outstanding, end of period/year	**14,967,360**	**0.68**	750,000	0.25

The following table summarizes information about the warrants outstanding at March 31, 2019:

Warrants #	Weighted average remaining life (years)	Weighted average exercise price $
112,203	0.46	0.35
569,446	1.96	0.35
14,285,711	1.96	0.70
14,967,360	**1.94**	

7. SHAREHOLDERS' EQUITY (continued)

Warrants (continued)

During the six months ended March 31, 2019, the Company assumed 112,203 replacement finders' warrants in connection with the RTO, and issued 569,446 finders' warrants in connection with the completion of its private placement. The Company recorded the fair value of these compensatory warrants using the Black-Scholes option pricing model. The fair value is particularly impacted by the Company's stock price volatility. As the Company has limited trading history, the volatility assumption is subject to significant measurement uncertainty. The fair value of the warrants issued was determined using the following weighted average assumptions:

	March 31, 2019
Risk-free interest rate	1.63%
Expected life	1.76
Volatility	100%
Dividend rate	0%
Weighted average fair value of per warrant	$ 0.17

Reserves

Reserves is comprised of the accumulated fair value of stock options recognized as share-based payments and the fair value of finders' warrants issued on private placements and assumed on the RTO. Reserves is increased by the fair value of these items on vesting and is reduced by corresponding amounts when the stock options or warrants expire or are exercised or cancelled.

	Warrants $	Stock Options $	Total $
October 1, 2017	48,320	-	48,320
Warrant exercise	(2,976)	-	(2,976)
Warrant exercise - debt settlement	(42,400)	-	(42,400)
Finders' warrants expired	(2,944)	-	(2,944)
Finders' warrants issued	37,500	-	37,500
September 30, 2018	37,500	-	37,500
October 1, 2018	37,500	-	37,500
Equity of Legion Metals	698,045	-	698,045
Elimination of equity of Legion Metals	(698,045)	-	(698,045)
Replacement finders' warrants assumed on RTO	11,000	-	11,000
Finders' warrants issued	105,300	-	105,300
Options vesting	-	1,933,100	1,933,100
March 31, 2019	**153,800**	**1,933,100**	**2,086,900**

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 six months March 31, 2019 and March 31, 2018 are as follows:

	March 31, 2019 $	March 31, 2018 $
Consulting fees	272,000	77,700
Performance options (share-based payments)	1,426,345	-
	1,698,345	77,700

The performance options vest upon key operational milestones being met.

The Company did not transact with other related parties during the six months ended March 31, 2019 and March 31, 2018.

Amounts payable to related parties

The following amounts are payable to related parties as at March 31, 2019 and September 30, 2018:

	March 31, 2019 $	September 30, 2018 $
Officer/Director - accounts payable and accrued liabilities	178,141	138,286
	178,141	138,286

Amounts receivable from related parties

The following amounts are receivable from related parties as at March 31, 2019 and September 30, 2018:

	March 31, 2019 $	September 30, 2018 $
Due from related parties	-	102,773
Prepaid expenses to related parties	21,129	50,477
	21,129	153,250

During the six months ended March 31, 2019, the Company reached a tentative agreement with a former director in relation to an amount included within due from related parties. Accordingly, the Company reclassified $79,500 to deposits and wrote-off $5,770 of accrued interest receivable formerly included in due to related parties to administrative expenses.

9. REVENUE AND ADMINISTRATIVE EXPENSES

Revenue and administrative expenses are comprised of the following:

	Three months ended		Six months ended	
	March 31, 2019 $	March 31, 2018 $	**March 31, 2019 $**	March 31, 2018 $
Revenue				
Processing services	-	124,000	-	124,000
Equipment sales	-	97,002	-	127,236
	-	221,002	-	251,236
Administrative expenses				
General and administrative	52,844	93,478	94,586	56,195
Rent	32,930	8,405	64,898	14,740
Repairs and maintenance	10,336	20,041	27,873	20,041
Research	-	-	55,256	-
Transfer agent and filing fees	40,409	-	40,409	-
	(136,519)	(121,924)	**(283,022)**	(90,976)

10. 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; and
- 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.

10. FINANCIAL INSTRUMENTS (continued)

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 March 31, 2019, the Company had working capital of $2,864,311, which is considered sufficient to fund future operations and obligations as they come due, and to allow the Company to meet 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 March 31, 2019, 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 $43,100.

(ii) Interest rate risk

The Company is not significantly 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.

10. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

(iii) Price risk

Equity price risk is defined as the potential adverse impact on the Company's results of operations and the ability to obtain financing, due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

11. SUPPLEMENTAL CASH FLOW INFORMATION

The Company incurred non-cash financing and investing activities during the six months ended March 31, 2019 and March 31, 2018 as follows:

	March 31, 2019 $	March 31, 2018 $
Non-cash investing activities:		
Subscriptions received in advanced transferred to share capital	-	342,645
Fair value of finders' warrants issued	105,300	-
Purchases of equipment in accounts payable and accrued liabilities	795,338	-
Reclassification of prepaid expenses to deposits	6,155	-
Reclassificaiton of due from related parties to deposits	75,000	-

As at September 30, 2018, purchases of equipment in accounts payable and accrued liabilities totaled $429,042.

During the six months ended March 31, 2019 and March 31, 2018, no amounts were paid for interest or income tax expenses.

12. 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 March 31, 2019. The Company is not subject to externally imposed capital requirements.

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 March 31, 2019, the total amount receivable by the Company was $524,257 (comprising $520,025 principal, and $4,232 accrued interest receivable), (September 30, 2018 - $55,000 principal, and $nil accrued interest receivable).

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 March 31, 2019, $nil (September 30, 2018 - $4,243) is included in receivables (Note 4).

16. COMMITMENTS

Warehouse lease

The Company has entered into a warehouse lease agreement for the lease of its centralized processing facility (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 $
(1)	2019	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 EVENTS

The following events occurred subsequent to March 31, 2019:

a) The Company completed a private placement by issuing 10,400,000 units for gross proceeds of $4,160,000. Each unit comprises one share and one common share purchase warrant with each warrant exercisable at $0.70 per share until May 15, 2021. In connection with this private placement, the Company paid $120,450 in finders' fees and issued 298,625 finders' warrants. The finders' warrants are exercisable at $0.40 per share until May 15, 2021. The units are subject to a four-month hold period which expires on September 14, 2019.

b) The Company issued 160,713 common shares on the exercise of stock options for gross proceeds of $56,250.

c) The Company issued 37,748 common shares on the exercise of warrants for gross proceeds of $13,212.