

Nextleaf Solutions Ltd.
(formerly Legion Metals Corp.)

Consolidated Financial Statements
September 30, 2019
(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)

Opinion

We have audited the accompanying consolidated financial statements of Nextleaf Solutions Ltd. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erez Bahar.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

January 28, 2020

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at

	Note	September 30, 2019 \$	September 30, 2018 \$
Assets			
Current assets			
Cash		4,295,987	837,604
Receivables	4	43,472	99,276
Subscriptions receivable	8	-	855,768
Due from related parties	9	-	102,773
Loan receivable	15	75,000	-
Prepaid expenses	5,9	162,201	142,380
		4,576,660	2,037,801
Non-current assets			
Deposits	12	6,155	-
Loan receivable	15	511,535	55,000
Equipment deposits	6	338,148	65,704
Equipment	6	4,017,340	2,904,944
Intangible assets	7	529,602	-
		5,402,780	3,025,648
Total assets		9,979,440	5,063,449
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	9	1,026,389	749,833
Total liabilities		1,026,389	749,833
Shareholders' equity			
Share capital	8	17,355,831	6,989,747
Reserves	8	3,056,486	37,500
Deficit		(11,459,266)	(2,713,631)
Total shareholders' equity		8,953,051	4,313,616
Total liabilities and shareholders' equity		9,979,440	5,063,449
Nature of operations and going concern	1		
Commitment	17		
Subsequent events	19		

Approved on behalf of the Board of Directors on January 28, 2020:

"Paul Pedersen"

Director

"Charles Ackerman"

Director

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

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

For the years ended September 30,

	Note	2019 \$	2018 \$
Revenue	10	-	523,408
Cost of sales		-	640,631
		-	(117,223)
Expenses			
Administrative expenses	9,10	717,759	262,394
Amortization	7	1,106	-
Depreciation	6	493,406	10,667
Directors' fees	9	36,140	10,000
Foreign exchange loss		85,190	10,490
Investor relations and advertising		1,118,355	199,881
Management fees	9	732,024	320,264
Professional fees and consulting	9	1,110,657	819,911
Research		5,358	26,080
Share-based payments	8,9	2,796,272	27,000
Wages and salaries		568,829	414,298
Loss from operating expenses		(7,665,096)	(2,100,985)
Government assistance	16	269,847	8,855
Gain on sale of equipment		50,059	-
Interest income		13,922	5,235
Listing expense	3	(1,414,367)	-
		(1,080,539)	14,090
Loss and comprehensive loss for the year		(8,745,635)	(2,204,118)
Weighted average number of common shares outstanding - basic and diluted		90,915,618	59,244,557
Basic and diluted loss per common share		(0.10)	(0.04)

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

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Consolidated Statements of Cash Flows****(Expressed in Canadian Dollars)**

For the years ended September 30,

	Note	2019 \$	2018 \$
Operating activities			
Loss and comprehensive loss for the year		(8,745,635)	(2,204,118)
Adjustments for:			
Amortization		1,106	-
Depreciation		493,406	297,056
Share-based payments		2,796,272	27,000
Gain on sale of equipment		(50,059)	-
Listing expense - non-cash portion		1,224,699	-
Write-off of due from related parties - administrative expense		80,770	-
Accrued interest - Government assistance		-	(4,243)
Accrued interest - due from related parties		-	(5,235)
Accrued interest - loans receivable		(11,535)	-
Non-cash working capital items:			
Receivables		62,615	108,848
Due from related parties		22,003	-
Prepaid expenses and deposits		(25,976)	(61,145)
Accounts payable and accrued liabilities		(82,977)	384,136
		(4,235,311)	(1,457,701)
Investing activities			
Funds advanced for loans receivable		(520,000)	(55,000)
Payment of equipment deposits		(328,444)	(9,704)
Refund of equipment deposits		56,000	-
Purchases of equipment		(1,326,115)	(1,622,909)
Proceeds on disposal of equipment		105,300	-
Payments for intangible assets		(206,103)	-
Cash acquired on reverse acquisition	3	100,250	-
		(2,119,112)	(1,687,613)
Financing activities			
Issuance of common shares, net of share issue costs		8,957,038	3,640,346
Collection of subscriptions receivable		855,768	-
		9,812,806	3,640,346
Change in cash		3,458,383	495,032
Cash, beginning of year		837,604	342,572
Cash, end of year		4,295,987	837,604

Supplemental cash flow information

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

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

For the years ended September 30, 2019 and September 30, 2018

	Common shares #	Share capital \$	Reserves \$	Subscriptions received in advance \$	Deficit \$	Total \$
September 30, 2017	47,516,596	1,982,637	48,320	342,645	(509,513)	1,864,089
Private placement shares issued	11,983,396	1,565,329	-	(342,645)	-	1,222,684
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	-	-	-
Warrant exercise	15,143,691	3,360,466	(2,976)	-	-	3,357,490
Warrant exercise - debt settlement	1,399,710	247,426	(42,400)	-	-	205,026
Re-allocated on expiry of finders' warrants	-	2,944	(2,944)	-	-	-
Share-based payments	150,000	27,000	-	-	-	27,000
Loss and comprehensive loss for the year	-	-	-	-	(2,204,118)	(2,204,118)
September 30, 2018	78,693,393	6,989,747	37,500	-	(2,713,631)	4,313,616
September 30, 2018	78,693,393	6,989,747	37,500	-	(2,713,631)	4,313,616
Private placement units issued - pre-RTO	14,285,714	5,000,000	-	-	-	5,000,000
Reverse acquisition transaction (Note 3):						
Issuance of shares pursuant to reverse acquisition	3,647,022	1,276,460	-	-	-	1,276,460
Replacement warrants issued	-	-	11,000	-	-	11,000
Replacement options issued	-	-	44,300	-	-	44,300
Private placement units issued - post-RTO	10,400,000	4,160,000	-	-	-	4,160,000
Share issue costs - cash	-	(362,700)	-	-	-	(362,700)
Share issue costs - warrants	-	(239,682)	239,682	-	-	-
Exercise of warrants	195,680	68,488	-	-	-	68,488
Re-allocated on exercise of warrants	-	26,338	(26,338)	-	-	-
Exercise of options	260,713	91,250	-	-	-	91,250
Re-allocated on exercise of options	-	45,930	(45,930)	-	-	-
Shares issued - intangible assets	640,522	300,000	-	-	-	300,000
Share-based payments	-	-	2,796,272	-	-	2,796,272
Loss and comprehensive loss for the year	-	-	-	-	(8,745,635)	(8,745,635)
September 30, 2019	108,123,044	17,355,831	3,056,486	-	(11,459,266)	8,953,051

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

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended September 30, 2019 and September 30, 2018

1. NATURE OF OPERATIONS AND GOING CONCERN

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.) (“Legion” or, 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 issued and pending patents (Note 7).

On September 9, 2019, Health Canada issued a Standard Processing License on the Company’s facility to Nextleaf Labs Ltd. (“Labs”). Labs is a private company incorporated in the province of British Columbia and wholly-owned by a consultant of the Company. Subsequent to year end, on October 11, 2019, the Company entered into a Share Purchase Agreement to acquire all of the issued and outstanding equity of Labs (Note 19).

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, Legion 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. The acquisition was completed by way of an Acquisition and Arrangement Agreement (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, these financial statements are 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 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.

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.

As at September 30, 2019, the Company had working capital of \$3,550,271. The Company has been incurring losses and generating negative cash flows since inception. 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. The continuance of operations is dependent on the Company commercializing its patents, commencing commercial operations, and continuing to obtain financing. These conditions may cast significant doubt about the Company’s ability to continue as a going concern.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES**Basis of presentation**

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").

These financial statements have been prepared on an historical cost basis, except for financial instruments measured at fair value. 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 and its subsidiary.

Principles of consolidation

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

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)	100%	Legal 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.

These financial statements account for Legion as a controlled entity (accounting acquiree) requiring consolidation since the date of the RTO (Notes 1 and 3), effective March 14, 2019.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES**New accounting policies****IFRS 9 – Financial Instruments**

The Company has adopted new accounting standard IFRS 9 – *Financial Instruments*, effective for the Company's annual period beginning on October 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."

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 based on the purpose for which they were acquired, in one of the following categories: 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 Company's financial instruments. The classification of the Company's financial assets and financial liabilities are detailed in Note 11.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended September 30, 2019 and September 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New 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 of the goods or service has transferred to the purchaser and collectability is reasonably assured. This is generally when goods have been delivered, or the services completed, which is also when the performance obligations have been fulfilled under the terms of the related sales contract. Revenues are recorded net of discounts and incentives but inclusive of freight in the sale of goods.

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.

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.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**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 stock options and finders' warrants

Determining the fair value of compensatory warrants (finders' warrants) and stock options 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.

Collectability of financial assets

The estimate of the collectability of financial assets including loans receivable is subject to estimation as to the credit-risk and likelihood of default by the counterparty. Management has assessed the financial position and results of operations of the debtors and concludes that there are no impairment indicators of loans receivable as at September 30, 2019.

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.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Significant accounting judgments, estimates and assumptions (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.

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.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Government assistance**

Government grants, including grants from similar bodies, consisting of investment tax credits are recorded separately within profit or loss when they relate to and item of expense. Government grants are recognized when the grant is received, or when there is reasonable assurance that the Company has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

Research and development costs

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss (research) as incurred. Investment tax credits (including SR&ED (Note 16)) related to current expenditures are included in the determination of profit or loss as the expenditures are incurred when there is reasonable assurance they will be realized.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria will be deemed by the Company to have been met when revenue is received by the Company and a determination that it has sufficient resources to market and sell its product offerings. Upon a determination that the criteria to capitalize development expenditures have been met, the expenditures capitalized will include the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures will be expensed as incurred.

Capitalized development expenditures will be measured at cost less accumulated amortization and accumulated impairment losses. No development costs have been capitalized to date.

Intangible assets

Intangible assets with finite lives are measured at cost less accumulated amortization and impairment charges. These intangible assets are amortized on a straight-line basis over their estimated useful lives. Useful lives, residual values and amortization methods for intangible assets with finite useful lives are reviewed at least annually.

Indefinite life intangible assets are measured at cost less any impairment charges. These intangible assets are tested for impairment on an annual basis or more frequently if there are indicators that intangible assets may be impaired. The Company does not have any intangible assets with indefinite lives.

The Company has capitalized application costs associated with patent filings to intangible assets from the date the Standard Processing License was issued by Health Canada (Note 1) on the Company's facility, since such date is when the Company was eligible to begin commercializing its issued patents.

The Company amortizes its intangible assets over their estimated useful lives as follows:

- Patents (20 years); and
- Formulations (2 years), which commences upon the formulations being ready for use in commercialization activity.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**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, as share issue costs. Common shares issued for consideration other than cash, are valued based on their fair value on 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 within reserves.

Share-based payment transactions

The Company has a stock option plan that provides for the granting of options to Officers, Directors, employees and consultants to acquire shares of the Company. The fair value of the options are measured on grant date and is recognized as an expense with a corresponding increase in reserves as the options vest.

Options granted to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees 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 goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

Over the vesting period, share-based payments are recorded as an expense and as reserves. When options are exercised the consideration received is recorded as share capital and the related share-based payments originally recorded as reserves are transferred to share capital. When an option is cancelled or expires, the initial recorded value is reversed from reserves and credited to deficit.

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 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 years 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.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

2. 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. (formerly Legion Metals Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended September 30, 2019 and September 30, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective

IFRS 16 Leases

IFRS 16 specifies how to recognize, measure, present and disclose leases. The new standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17 the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for the Company's annual period beginning on October 1, 2019.

The Company has completed the scoping and review of its facility lease contract and is in the process of measuring the impact of IFRS 16 on the lease identified upon transition and for modified retrospective restatement.

The Company anticipates the adoption of IFRS 16 will have a material impact on the statements of financial position primarily due to the capitalization and recognition and measurement of the right-of-use assets and lease liabilities. The impact on profit or loss will be an elimination of rent expense within administrative expenses, and the recognition of depreciation of the right-of-use asset, and interest (finance) costs on the lease liability. The facility lease is denominated in Canadian dollars, therefore there will be no additional volatility in foreign exchange recognized in profit or loss.

The Company has a lease for its manufacturing and processing facility including corporate offices. The lease is expected to be recorded as a right-of-use asset (within property and equipment) with a corresponding lease liability under IFRS 16.

The Company anticipates recognizing a right-of use asset of approximately \$188,000 with a corresponding lease liability of approximately \$201,000, with the difference between the right-of-use asset and lease liability to be recorded to deficit, as at October 1, 2019.

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 the Company's annual period beginning on October 1, 2019.

The Company has initially anticipated that there will be no significant impact on adoption of the Interpretation.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

3. REVERSE ACQUISITION

As described in Note 1, on March 14, 2019, Legion 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 an 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.

	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 (Note 8)	11,000
Replacement options (Note 8)	44,300
Transaction costs - cash	189,668
Total consideration paid	1,521,428
Listing expense	1,414,367

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. Additionally, consideration paid by Nextleaf includes the fair value of replacement options and warrants issued in respect of stock options and warrants outstanding in Legion at the date of the RTO, to give effect to the dilutive effect of these instruments to the shareholders of Nextleaf.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

4. RECEIVABLES

The Company's receivables comprise the following:

	September 30, 2019	September 30, 2018
	\$	\$
Government assistance receivable (Note 16)	-	4,243
Sales tax recoverable	43,472	86,938
Trade receivables	-	8,095
	43,472	99,276

5. PREPAID EXPENSES AND ADVANCES

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

	September 30, 2019	September 30, 2018
	\$	\$
Expense advances and other	11,917	82,126
Prepaid management fees	60,000	-
Investor relations and promotion	84,000	9,000
Retainers	6,284	51,254
	162,201	142,380

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended September 30, 2019 and September 30, 2018

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	1,000,303	5,000	-	655,740	1,661,043
Disposal	(64,990)	-	-	-	(64,990)
September 30, 2019	3,452,575	187,617	257,173	1,081,978	4,979,343
Accumulated depreciation					
September 30, 2018	420,319	10,667	47,360	-	478,346
Depreciation	411,172	35,390	41,964	4,880	493,406
Disposal	(9,749)	-	-	-	(9,749)
September 30, 2019	821,742	46,057	89,324	4,880	962,003
Net book value					
September 30, 2018	2,096,943	171,950	209,813	426,238	2,904,944
September 30, 2019	2,630,833	141,560	167,849	1,077,098	4,017,340

Certain of the Company's extraction equipment was not yet in use as at September 30, 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. Additionally, leasehold improvements were considered to be in use effective September 6, 2019, the date which commercial operations at the facility were permitted to begin. As at September 30, 2018, since the Company had not yet obtained the Standard Processing License, no depreciation was taken on leasehold improvements during the year then ended.

Equipment deposits:

The Company paid cash deposits for cannabis extraction equipment which had not yet been received as at September 30, 2019. A continuity of equipment deposits is as follows:

	September 30, 2019 \$	September 30, 2018 \$
Balance, beginning of year	65,704	336,996
Deposits paid	328,444	438,547
Deposits refunded	(56,000)	-
Transfers to equipment	-	(709,839)
Balance, end of period/year	338,148	65,704

As at September 30, 2018, the Company owed \$2,462 to the seller of extraction equipment acquired during the year ended September 30, 2017. This amount was offset against separate amounts owed to the Company by the seller within due from related parties. On September 27, 2018, the seller became the Chief Technical Officer of the Company.

Depreciation allocation:

During the year ended September 30, 2019, depreciation of \$493,406 was allocated entirely to expenses (2018 - \$10,667), and \$nil was allocated to cost of sales (2018 - \$286,389).

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

7. INTANGIBLE ASSETS

Intangible assets include patents and formulations acquired by the Company for cash and non-cash consideration. Additionally, intangible assets include application costs for the Company's issued and pending patents which have been capitalized from the date Health Canada issued the Standard Processing License to Nextleaf Labs Ltd. (Notes 1, and 19).

	Shatter patent	Cannabinoid formulations	Issued patents	Total
	\$	\$	\$	\$
Cost				
September 30, 2018, and 2017	-	-	-	-
Additions	200,000	252,550	78,158	530,708
September 30, 2019	200,000	252,550	78,158	530,708
Accumulated amortization				
September 30, 2018, and 2017	-	-	-	-
Amortization	-	-	1,106	1,106
September 30, 2019	-	-	1,106	1,106
Net book value				
September 30, 2018	-	-	-	-
September 30, 2019	200,000	252,550	77,052	529,602

Shatter patent

On June 24, 2019, the Company issued 444,444 common shares with an aggregate fair value of \$200,000, to an arm's length party for the acquisition of a U.S. patent pending hydrocarbon extraction process, known as "shatter." Amortization on the shatter patent will commence once the patent is issued.

Water-soluble cannabinoid formulations

On August 22, 2019, the Company entered into a Research Agreement with a private company (the "Researcher") for the research and development of water-soluble cannabinoid formulations for the Company that can be sold by the Company to beverage producers for the production of cannabinoid-infused natural water beverages.

Pursuant to the Agreement, the Company will acquire the intellectual property in accordance with the following staged consideration payable by the Company:

- \$35,000 paid upon execution of the Agreement (paid, including applicable sales taxes);
- \$100,000 in cash (paid, including applicable sales taxes), and issuance of common shares with an aggregate fair value of \$100,000 (issued 196,078 common shares at a fair value of \$0.51 each); and
- \$65,000 in cash (not yet due), and common shares with an aggregate fair value of \$300,000 (not yet due). This consideration becomes payable.

Amortization on cannabinoid formulations commence once the formulations are complete and ready for use and commercialization.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

8. 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 year ended September 30, 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 comprised 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. The Company also issued 112,203 replacement warrants and 200,000 replacement stock options with an aggregate fair value of \$55,300. The fair value of the replacement warrants and replacement stock options are included as part of consideration paid on closing of the RTO (Note 3).

Additionally, the Company paid \$242,250, in cash share issue costs in connection with completion of the private placement.

- The Company completed a private placement by issuing 10,400,000 units at a price of \$0.40 per unit for gross proceeds of \$4,160,000. Each unit comprised of one common share and one common share purchase 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 with an aggregate fair value of \$134,382. The finders' warrants are exercisable at \$0.40 per share until May 15, 2021.

- The Company issued 195,680 common shares on the exercise of warrants for proceeds of \$68,488. In addition, \$26,338 representing the fair value of the warrants on initial issuance was re-allocated from reserves to share capital.
- The Company issued 260,713 common shares on the exercise of stock options for proceeds of \$91,250. In addition, \$45,930 representing the fair value of the stock options on initial vesting was re-allocated from reserves to share capital.
- The Company issued 640,522 common shares with an aggregate fair value of \$300,000 for the acquisition of the shatter patent, and cannabinoid formulations (Note 7).

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

8. SHAREHOLDERS' EQUITY (continued)**Transactions for the issue of share capital during the year ended September 30, 2018:**

- The Company issued 3,708,252 common shares pursuant to a private placement at \$0.1111 per share for gross proceeds of \$412,029, 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 \$158,555 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 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 15,143,691 common shares upon the exercise of finders' warrants for gross proceeds of \$3,357,490. In addition, \$2,976 representing the fair value of the warrants on initial issuance was re-allocated from reserves to share capital.
- 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, in the amount of \$205,026. No gain or loss was recorded on settlement of this amount. In addition, \$42,400 representing the fair value of the warrants on initial issuance was re-allocated from reserves to share capital.
- 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 payments expense.

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, which was collected in full during the year ended September 30, 2019.

Escrowed shares

The Company entered into an Escrow Agreement in connection with closing of the RTO on March 14, 2019, in relation to certain of its common shares which were placed in escrow. Pursuant to the Escrow Agreement the escrowed common shares are subject to a timed release schedule whereby a portion of the escrowed shares will be released beginning on March 14, 2019, and every six months thereafter until March 14, 2022.

As at September 30, 2019, 27,132,081 common shares were held in escrow (2018 – nil).

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended September 30, 2019 and September 30, 2018

8. SHAREHOLDERS' EQUITY (continued)

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 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 from 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 but may not be less than the closing market price of the Company's common shares on the date of grant.

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

	Year ended September 30, 2019		Year ended September 30, 2018	
	Options #	Weighted average exercise price \$	Options #	Weighted average exercise price \$
Options outstanding, beginning of year	-	-	-	-
Granted - Performance stock options	7,500,000	0.35	-	-
Granted - Regular stock options	6,550,000	0.35	-	-
Replaced on RTO	200,000	0.35	-	-
Exercised	(260,713)	0.35	-	-
Options outstanding, end of year	13,989,287	0.35	-	-

As at September 30, 2019, the Company has stock options outstanding and exercisable as follows:

	Options outstanding #	Options exercisable #	Weighted average Exercise price \$	Expiry date	Weighted average remaining life (years)
	114,287	114,287	0.35	May 1, 2022	2.59
(1)	13,725,000	7,550,000	0.35	March 15, 2024	4.46
	150,000	150,000	0.50	July 8, 2024	4.78
	13,989,287	7,814,287	0.35		4.45

(1) Includes 7,500,000 performance stock options granted to officers and directors of the Company as described below .

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

8. SHAREHOLDERS' EQUITY (continued)**Stock options** (continued)

During the year ended September 30, 2019, 14,050,000 stock options were granted to Officers, Directors, employees and consultants of the Company, with varying vesting terms. 7,500,000 of these stock options (the "performance stock options") were granted to Officers and Directors of the Company and vested upon achieving the following milestones: Milestone 1 – Obtaining a Health Canada Research License (completed, which triggered the vesting of 26% of these vested); and Milestone 2 – Obtaining a Health Canada Standard Processing License (completed, which triggered the vesting of 74% of these options).

During the year ended September 30, 2019, the Company also issued 200,000 replacement stock options (Note 3) in connection with the RTO (the "RTO Replacement Options").

There were no stock options granted or outstanding as at and during the year ended September 30, 2018.

On initial recognition of the share-based payment expense associated with the performance stock options, the Company estimated the likelihood of achieving the milestones as being 100%. This estimate impacted the estimated fair value of the options on the grant date. As at September 30, 2019, the Company had met the milestones, and no change in estimation or value of the stock options granted occurred.

The Company recorded the fair value of all stock options granted, as well as the RTO Replacement Options, 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 values were determined using the following weighted average assumptions:

	September 30, 2019
Risk-free interest rate	2.07%
Expected life of options	4.52
Volatility	100%
Dividend rate	0%

The total share-based payment expense for the year ended September 30, 2019 was \$2,796,272, which includes only those stock options granted and vested during the year then ended. The fair value of the RTO Replacement Options amounted to \$44,300 and is included within consideration paid in RTO of Legion (Note 3).

The total share-based payment expense for the year ended September 30, 2018, was \$27,000, which comprised the fair value of shares issued for services to a consultant.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

8. 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 September 30, 2019 and September 30, 2018 and changes during the years then ended is as follows:

	Year ended September 30, 2019		Year ended September 30, 2018	
	Warrants #	Weighted average exercise price \$	Warrants #	Weighted average exercise price \$
Warrants outstanding, beginning of year	750,000	0.25	16,103,799	0.21
Issued - attached to units	24,685,711	0.70	3,708,252	0.22
Issued - finders' warrants	868,071	0.37	750,000	0.25
Replaced on RTO - finders' warrants	112,203	0.35	-	-
Exercised	(195,680)	0.35	(16,543,401)	0.22
Expired	(750,000)	0.25	(3,268,650)	0.22
Warrants outstanding, end of year	25,470,305	0.69	750,000	0.25

The following table summarizes information about the warrants outstanding at September 30, 2019:

Warrants #	Weighted average exercise price \$	Expiry Date	Weighted average remaining life (years)
14,285,711	0.70	March 14, 2021	1.45
485,969	0.35	March 21, 2021	1.47
298,625	0.40	May 15, 2021	1.62
10,400,000	0.70	May 15, 2021	1.62
25,470,305	0.69		1.53

During the year ended September 30, 2019, the Company issued 112,203 replacement finders' warrants (Note 3) in connection with the RTO (the "RTO Replacement Warrants") and issued 569,446 finders' warrants in connection with the completion of the private placement related to the RTO. Additionally, the Company issued 298,625 finders' warrants upon completion of a second private placement that occurred subsequent to the RTO.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

8. SHAREHOLDERS' EQUITY (continued)**Warrants (continued)**

The Company recorded the fair value of the compensatory finders' warrants, and the RTO Replacement 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 values were determined using the following weighted average assumptions:

	2019	2018
Risk-free interest rate	1.90%	2.00%
Expected life	1.83	1.00
Volatility	100%	100%
Dividend rate	0%	0%
Weighted average fair value of per warrant	\$ 0.26	\$ 0.05

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 \$
September 30, 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
September 30, 2018	37,500	-	37,500
Equity of Legion Metals	698,045	-	698,045
Elimination of equity of Legion Metals	(698,045)	-	(698,045)
RTO Replacement Warrants issued	11,000	-	11,000
RTO Replacement Options issued	44,300	-	44,300
Finders' warrants issued	239,682	-	239,682
Options vesting	-	2,796,272	2,796,272
Re-allocated on exercise of warrants	(26,338)	-	(26,338)
Re-allocated on exercise of options	-	(45,930)	(45,930)
September 30, 2019	306,144	2,750,342	3,056,486

Shareholder Rights Plan

On July 23, 2019, the Company adopted a shareholder rights plan whereby the Company issued one right (the "Right") for \$nil consideration in respect of each outstanding common share of the Company to all holders of record on July 23, 2019. The term of the plan is for three years, subject to re-approval by the shareholders of the Company at the 2022 Annual Meeting.

The Rights become exercisable only if a person acquires 20% or more of the common shares of the Company without complying with the "Permitted Bid" provisions in the Plan, other prescribed exemptions, or without the approval of the Board of Directors. Should such an acquisition occur of the Company's common shares, rights holders can purchase common shares of the Company at half the prevailing market price as defined in the Plan at the time the rights become exercisable. Under the Plan, a permitted bid must be made to all shareholders for all shares of the Company and must be open for acceptance for a minimum of 105 days.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

9. 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, 2019 and September 30, 2018 are as follows:

	September 30, 2019	September 30, 2018
	\$	\$
Directors' fees	36,140	10,000
Management fees	732,024	330,264
Share-based payments	1,943,783	-
	2,711,947	340,264

Other related party transactions

The Company paid or accrued amounts for transactions with other related parties as follows:

	September 30, 2019	September 30, 2018
	\$	\$
Legal (professional fees)	-	56,565
	-	56,565

Amounts payable to related parties

The following amounts are payable to related parties and included in accounts payable and accrued liabilities as at September 30, 2019 and September 30, 2018:

	September 30, 2019	September 30, 2018
	\$	\$
Amounts due to Officers/Directors	50,345	138,286
	50,345	138,286

Amounts receivable from/prepaid to related parties

The following amounts are receivable from/prepaid to related parties as at September 30, 2019 and September 30, 2018:

	September 30, 2019	September 30, 2018
	\$	\$
Due from related parties	-	102,773
Prepaid management fees and expenses	68,573	50,477
	68,573	153,250

During the year ended September 30, 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 \$75,000 to deposits and wrote-off \$5,770 of accrued interest receivable formerly included in due to related parties to administrative expenses. As at September 30, 2019, the Company determined that the timing and recoverability of the remaining \$75,000 was uncertain. As a result, \$75,000 was written-off to administrative expenses.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

10. REVENUE AND ADMINISTRATIVE EXPENSES

Revenue and administrative expenses are comprised of the following:

	Years ended	
	September 30, 2019	September 30, 2018
	\$	\$
Revenue		
Processing services	-	396,172
Equipment sales	-	127,236
	-	523,408
Administrative expenses		
General and administrative	295,134	137,813
Rent	137,264	52,409
Repairs and maintenance	89,272	72,172
Supplies	123,568	-
Transfer agent and filing fees	72,521	-
	(717,759)	(262,394)

11. FINANCIAL INSTRUMENTS**Fair value**

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.

Classification of financial instruments

Financial assets:	Classification:	Subsequent measurement:
Cash	FVTPL	Fair value
Receivables	Amortized cost	Amortized cost
Subscriptions receivable	Amortized cost	Amortized cost
Due from related parties	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
Loans receivable	Amortized cost	Amortized cost
Financial liabilities:	Classification:	Subsequent measurement:
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

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.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

11. FINANCIAL INSTRUMENTS (continued)**Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. As at September 30, 2019, credit risk for the Company arises from cash, receivables, deposits, and loans receivable. The carrying amount of these financial assets represents the maximum credit exposure as at September 30, 2019, and 2018.

Cash is held with a Canadian chartered bank and accordingly, the Company's exposure to credit risk on cash is considered insignificant. As at September 30, 2019, the Company had no trade receivable exposure and receivables comprised entirely of sales tax recoverable from the Government of Canada, which management considers the credit risk to be low.

Credit risk relating to loans receivable is considered moderate since the portion relating to a promissory note provided to an equipment supplier does not have specific terms of repayment, of which repayment may occur in excess of twelve months from the statement of financial position date.

Impairment of financial assets

The Company has these types of financial assets that are subject to the expected credit loss model:

- Loans receivable; and
- Deposits.

While cash is also subject to the impairment requirements of IFRS 9, the risk is insignificant. Equipment deposits are not included as these deposits are intended for the acquisition of equipment without any intention of receiving cash refunds (despite specific historical circumstances (Note 6)).

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all loans receivable. The Company applies the general approach using practical expedients to loans receivable which involves recognition at each reporting date of a loss allowance based on a 12-month expected credit loss model without the requirement to re-assess whether any significant increases in credit risk have occurred at each reporting date.

To measure the expected credit losses, deposits and loans receivable are grouped by debtor, and each debtor's circumstances are reviewed. There are two debtors for loans receivable, and one for deposits. The expected loss amount, if any, is based on historical payment profiles, and the corresponding historical credit losses experienced within this period for these debtors.

As at September 30, 2019, the loss allowance was \$nil for deposits and loans receivable. There has been no historical loss allowance recorded on these items.

Deposits and loans receivable are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, failure of a debtor to engage in a repayment plan with the Company (if applicable), and a failure by the debtor to make contractual payments for a period of greater than 120 days past due, or shorter if specific circumstances suggest otherwise.

Impairment losses are presented as loss provisions within profit or loss. Subsequent recoveries of amounts previously written-off are credited against the same line item.

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, 2019, the Company had working capital of \$3,550,271, which is considered sufficient to fund future operations and obligations as they come due, and to allow the Company to meet business objectives for at least the next twelve months (Note 1).

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

11. FINANCIAL INSTRUMENTS (continued)**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 incurs transactions in the United States dollar and had raised equity financing during the year ended September 30, 2018 in Australian Dollars.

As at September 30, 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 \$57,100.

(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.

(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.

12. SUPPLEMENTAL CASH FLOW INFORMATION

The Company incurred non-cash financing and investing activities during the years ended September 30, 2019 and September 30, 2018 as follows:

	September 30, 2019	September 30, 2018
	\$	\$
Non-cash financing activities:		
Fair value of common shares issued for acquisition of intangible asset	300,000	-
Fair value of finders' warrants/units issued	239,682	487,500
Reduction of subscriptions received in advance on issue of common shares	-	342,645
Subscriptions receivable	-	855,768
Non-cash investing activities:		
Transfer of equipment deposits to equipment	-	280,996
Purchases of equipment in accounts payable and accrued liabilities	763,970	429,042
Intangible asset costs in accounts payable and accrued liabilities	24,605	-
Reclassification of prepaid expenses to deposits	6,155	-

During the years ended September 30, 2019 and September 30, 2018, no amounts were paid for interest or income tax expenses.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

13. 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, 2019. The Company is not subject to externally imposed capital requirements.

14. 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.

15. LOANS RECEIVABLE

A continuity of loans receivable is as follows:

	September 30, 2019	September 30, 2018
	\$	\$
Balance, beginning of period/year	55,000	-
Advances	520,000	55,000
Interest accrual (interest income)	11,535	-
Balance, end of period/year	586,535	55,000
Current portion	75,000	-
Non-current portion	511,535	-

During the year ended September 30, 2018, the Company provided a promissory note to an equipment supplier which bears annual interest at 3%. As at September 30, 2019, the total amount receivable by the Company was \$511,535 (comprising \$500,000 principal, and \$11,535 accrued interest receivable). As at September 30, 2018, \$55,000 in principal only was receivable. This portion of loans receivable is classified as non-current.

During the year ended September 30, 2019, the Company advanced \$75,000 to the sole shareholder of Nextleaf Labs Ltd., ("Labs") (classified as current) in connection with the Share Purchase Agreement entered into subsequent to September 30, 2019 (Note 19). The loan is intended for initial working capital of Labs, and bears interest at 5% per annum. On September 13, 2020, the parties are due to negotiate and agree on a specific repayment date. If the parties are unable to agree such a date, the loan becomes repayable on demand.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

16. GOVERNMENT ASSISTANCEScientific Research and Experimental Development (SR&ED)

During the year ended September 30, 2019, the Company received \$195,366 from the SR&ED Program. Of this amount, \$161,062 was attributable to the Company's 2018 tax year, and \$34,304 was attributable to the Company's 2017 tax year.

SR&ED is a federal tax incentive program designed to encourage Canadian businesses of all sizes and in all sectors to conduct research and development in Canada.

National Research Council Canada ("NRC") – Industrial Research Assistance Program

The Company entered into a Contribution Agreement with the NRC to receive a grant under the Industrial Research Assistance Program ("IRAP") for a project pertaining to the removal of chlorophyll and like impurities from crude oil extracts. The agreement came into effect on July 1, 2018 and concluded in August 2019.

During the IRAP project, the Company successfully developed a media treatment process to remove undesirable elements from crude extract. Technology developed during the IRAP project will be applied within the Company's patented extraction process and used in the production of THC and CBD distillates for various products.

The grant reimbursed the Company for 80% of supported salary costs to a maximum of \$80,000 for the calendar 2018/2019 period.

During the year ended September 30, 2019, \$74,481 was received under the grant (2018 - \$8,855 accrued or received). As at September 30, 2018, \$4,243 was included in receivables, and collected during the year ended September 30, 2019.

17. COMMITMENTWarehouse lease

The Company has an agreement to lease its centralized processing facility (leasehold improvements). The lease is for the period from July 1, 2018 to June 30, 2023. The Company's minimum annual commitments are as follows:

Fiscal Year	Total commitment
	\$
2020	64,131
2021	66,012
2022	69,120
2023	52,763
	252,026

For the year ended September 30, 2019, amounts paid by the Company are included in rent (Note 10).

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**Notes to the Consolidated Financial Statements****(Expressed in Canadian Dollars)**

For the years ended September 30, 2019 and September 30, 2018

18. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes for the years ended September 30, 2019, and September 30, 2018, is as follows:

	2019	2018
	\$	\$
Loss for the year	(8,745,635)	(2,204,118)
Expected income tax (recovery)	(2,361,000)	(595,000)
Change in tax resulting from:		
Permanent differences	1,128,000	7,000
Change in recognized deductible temporary differences and other	1,220,000	631,000
Share issue cost	(98,000)	(43,000)
Adjustment to prior year provision versus statutory tax returns	111,000	-
Total income tax expense (recovery)	-	-

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, 2019, and September 30, 2018, are as follows:

	2019	Expiry Date	2018	Expiry Date
	\$	Range	\$	Range
Equipment	923,000	No expiry	817,000	No expiry
Share issue costs	439,000	2040 to 2043	206,000	2039 to 2042
Available capital losses	3,000	No expiry	3,000	No expiry
Non-capital loss carry forwards	6,459,000	2037 to 2039	2,276,000	2037 to 2038

Tax attributes are subject to review, and potential adjustment, but tax authorities.

19. SUBSEQUENT EVENTSShare Purchase Agreement

On October 11, 2019, the Company entered into a Share Purchase Agreement to acquire all of the issued and outstanding shares of Nextleaf Labs Ltd., (Note 1). Consideration payable by the Company is \$385,000 by way of issuing common shares of the Company. Other than owning the Standard Processing License issued by Health Canada on the Company's facility, Labs does not own other material assets or liabilities, or have any commercial operations.

The acquisition has not yet closed and is subject to standard approval procedures.

The acquisition of Labs is anticipated to be accounted for as an asset acquisition as Labs does not qualify as a business according to the definition in IFRS 3. Accordingly, the acquisition does not constitute a business combination; rather it is treated as an issuance of common shares by Nextleaf for the net assets of Labs. Accordingly, the consideration paid by the Company will be recorded as an intangible asset representing the Standard Processing License (Note 1).

Grant of stock options

In October 2019, the Company granted 450,000 stock options in aggregate to Directors, and employees of the Company. The stock options vest immediately and are exercisable for five years at a price of \$0.50 each.

Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended September 30, 2019 and September 30, 2018

19. SUBSEQUENT EVENTS (continued)

Royalty Agreement

On December 16, 2019, the Company entered into a License and Distribution Royalty Agreement (the "Royalty Agreement") with a private British Columbia company (the "Licensee"). Pursuant to the Royalty Agreement, the Company will grant the Licensee a non-exclusive license for the use of certain issued and pending patents (the "Licensed Patents") in exchange for a 20% royalty on the Licensee's gross revenue, which will be payable to the Company on a quarterly basis. The Royalty Agreement is for an undefined term.

By February 16, 2020, the Company will also contribute cash to the Licensee for use in the development of the Licensee's business. This cash contribution is repayable to the Company if the Royalty Agreement terminates on or before December 6, 2024.