

**Nextleaf Solutions Ltd.**  
(formerly Legion Metals Corp.)  
**Condensed Interim Consolidated Financial Statements**  
**For the three months ended**  
**December 31, 2019**  
**Unaudited – Prepared by Management**  
**(Expressed in Canadian Dollars)**

---

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited condensed interim consolidated financial statements of Nextleaf Solutions Ltd. (“the Company”) for the three months ended December 31, 2019 and December 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)  
(Expressed in Canadian Dollars)

**As at**

	Note	December 31, 2019 \$	September 30, 2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash		2,012,168	4,295,987
Receivables	4	479,294	43,472
Loans receivable	15	76,100	75,000
Prepaid expenses	5,9	106,943	162,201
		<b>2,674,505</b>	<b>4,576,660</b>
<b>Non-current assets</b>			
Deposit	12	6,155	6,155
Loans receivable	15	515,275	511,535
Equipment deposits	6	338,148	338,148
Property and equipment	6	5,075,606	4,017,340
Intangible assets	7	606,369	529,602
		<b>6,541,553</b>	<b>5,402,780</b>
<b>Total assets</b>		<b>9,216,058</b>	<b>9,979,440</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9	974,209	1,026,389
Current portion of lease liability	6	64,458	-
		<b>1,038,667</b>	<b>1,026,389</b>
<b>Non-current liabilities</b>			
Lease liability	6	125,784	-
<b>Total liabilities</b>		<b>1,164,451</b>	<b>1,026,389</b>
<b>Shareholders' equity</b>			
Share capital	8	17,355,831	17,355,831
Reserves	8	3,488,466	3,056,486
Deficit		(12,792,690)	(11,459,266)
<b>Total shareholders' equity</b>		<b>8,051,607</b>	<b>8,953,051</b>
<b>Total liabilities and shareholders' equity</b>		<b>9,216,058</b>	<b>9,979,440</b>
Nature of operations and going concern	1		
Commitment	17		
Subsequent event	19		

Approved on behalf of the Board of Directors on March 2, 2020:

*"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)****(Expressed in Canadian Dollars)**

---

**For the three months ended December 31,**

---

	Note	2019 \$	2018 \$
Licensing revenue		350,000	-
		<b>350,000</b>	-
<b>Expenses</b>			
Administrative expenses	10	146,015	91,247
Amortization	7	1,961	-
Depreciation	6	242,944	79,894
Directors' fees	9	17,500	-
Finance costs	6	4,915	-
Foreign exchange gain		(32,751)	(7,589)
Investor relations and advertising		193,982	111,072
Management fees	9	110,400	110,400
Professional fees and consulting		296,692	175,930
Research		-	55,256
Share-based payments	8,9	431,980	-
Wages and salaries		261,664	134,492
<b>Loss from operating expenses</b>		<b>(1,675,302)</b>	<b>(750,702)</b>
Government assistance	16	-	16,271
Interest income	15	4,840	2,310
		<b>4,840</b>	<b>18,581</b>
<b>Loss and comprehensive loss for the period</b>		<b>(1,320,462)</b>	<b>(732,121)</b>
<b>Loss per share</b>			
<b>Weighted average number of common shares outstanding:</b>			
Basic #		<b>108,123,044</b>	78,693,393
Diluted #		<b>108,123,044</b>	78,693,393
<b>Basic loss per share</b>		<b>(0.01)</b>	(0.01)
<b>Diluted loss per share</b>		<b>(0.01)</b>	(0.01)

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)  
(Expressed in Canadian Dollars)

For the three months ended December 31,

	Note	2019 \$	2018 \$
<b>Operating activities</b>			
Loss and comprehensive loss for the period		(1,320,462)	(732,121)
Adjustments for:			
Amortization		1,961	-
Depreciation		242,944	79,894
Finance costs		4,915	-
Share-based payments		431,980	-
Accrued interest - due from related parties		-	(1,270)
Accrued interest - loans receivable		(4,840)	(1,040)
Non-cash working capital items:			
Receivables		(435,822)	(17,230)
Due from related parties		-	23,273
Prepaid expenses and deposits		55,258	29,524
Accounts payable and accrued liabilities		(15,131)	(26,823)
		<b>(1,039,197)</b>	<b>(645,793)</b>
<b>Investing activities</b>			
Funds advanced for loans receivable		-	(155,000)
Purchases of property and equipment		(1,145,559)	(312,642)
Payments for intangible assets		(83,112)	-
Lease payments		(15,951)	-
		<b>(1,244,622)</b>	<b>(467,642)</b>
<b>Financing activities</b>			
Collection of subscriptions receivable		-	855,768
		-	855,768
<b>Change in cash</b>		<b>(2,283,819)</b>	<b>(257,667)</b>
<b>Cash, beginning of period</b>		<b>4,295,987</b>	<b>837,604</b>
<b>Cash, end of period</b>		<b>2,012,168</b>	<b>579,937</b>

Supplemental cash flow information

12

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)  
(Expressed in Canadian Dollars)

**For the three months ended December 31, 2019 and December 31, 2018**

	Common shares #	Share capital \$	Reserves \$	Deficit \$	Total \$
September 30, 2018	78,693,393	6,989,747	37,500	(2,713,631)	4,313,616
Loss and comprehensive loss for the period	-	-	-	(732,121)	(732,121)
<b>December 31, 2018</b>	<b>78,693,393</b>	<b>6,989,747</b>	<b>37,500</b>	<b>(3,445,752)</b>	<b>3,581,495</b>
October 1, 2019, as previously reported	108,123,044	17,355,831	3,056,486	(11,459,266)	8,953,051
Impact of change in accounting policy	-	-	-	(12,962)	(12,962)
<b>October 1, 2019, adjusted balance</b>	<b>108,123,044</b>	<b>17,355,831</b>	<b>3,056,486</b>	<b>(11,472,228)</b>	<b>8,940,089</b>
Share-based payments	-	-	431,980	-	431,980
Loss and comprehensive loss for the period	-	-	-	(1,320,462)	(1,320,462)
<b>December 31, 2019</b>	<b>108,123,044</b>	<b>17,355,831</b>	<b>3,488,466</b>	<b>(12,792,690)</b>	<b>8,051,607</b>

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

---

**Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)****Notes to the Condensed Interim Consolidated Financial Statements****(Unaudited – Prepared by Management)****(Expressed in Canadian Dollars)**

---

**For the three months ended December 31, 2019, and December 31, 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’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”

The Company is a Canadian cannabis extractor and processor, with a focus on developing intellectual property for the extraction, distillation and formulation of cannabinoids. The Company has developed an intellectual property portfolio, which includes a number of issued and pending patents (Note 7). The Company commercializes its intellectual property portfolio through IP licensing, and supplying CBD and THC oils through Nextleaf Labs Ltd., a Health Canada Licenced Standard Processor, in which the Company is in the process of acquiring (see below).

On September 9, 2019, Health Canada issued a Standard Processing Licence 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. On October 11, 2019, the Company entered into a Share Purchase Agreement to acquire all of the issued and outstanding equity of Labs, which has not yet closed as at the date of these financial statements (Note 3).

Subsequent to period end, on January 22, 2020, Health Canada granted a Cannabis Research Licence to Labs on the Company’s Standard Processing Facility (Note 19).

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. 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 condensed interim consolidated financial statements (the “financial statements”) are 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 December 31, 2019, the Company had working capital of \$1,635,838. 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 Condensed Interim Consolidated Financial Statements**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

---

**For the three months ended December 31, 2019, and December 31, 2018**

---

**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, 2019, 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 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 (Note 1), effective March 14, 2019.

**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, 2020. Accordingly, these financial statements should be read in conjunction with the Company’s most recent annual audited financial statements.



---

**Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

---

**For the three months ended December 31, 2019, and December 31, 2018**

---

**2. SIGNIFICANT ACCOUNTING POLICIES**

**New accounting standards**

The Company adopted the following accounting standards that were effective for the Company beginning on October 1, 2019.

*New standard IFRS 16 - Leases*

IFRS 16 - *Leases* ("IFRS 16") was issued by the IASB on January 13, 2016, replaced IAS 17, *Leases*. It was effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

The most significant effect of the new standard is the lessee's recognition of the initial present value of unavoidable future lease payments as right-of-use ("ROU") assets and lease liabilities on the statement of financial position, including those for most leases that would have formerly been accounted for as operating leases.

The Company has a lease on its processing facility including corporate offices. In the context of IFRS 16, a ROU asset of \$188,316 and a lease liability of \$201,278 were recognized as at October 1, 2019 (Note 6), in accordance with the modified retrospective approach. The lease liability was measured at the present value of the remaining lease payments, discounted using the Company's weighted average incremental borrowing rate of approximately 10% on October 1, 2019. The ROU asset (recognized within property and equipment) was measured at an amount equal to the corresponding initial lease liability.

On adoption, the following practical expedients were permitted by IFRS 16, but were not applicable to the Company:

- Accounting for leases with a remaining term of less than twelve months as at October 1, 2019, as short-term leases; and
- Accounting for lease payments as an expense for leases of low-value assets.

The modified retrospective approach does not require restatement of prior period comparative financial information and is applied prospectively. The application of IFRS 16 requires the Company to make judgments that affect the valuation of the lease liabilities and the valuation of ROU assets. These include: determining contracts that are within the scope of IFRS 16; determining the contract term; and determining the interest rate used for the discounting of future cash flows.

The impact on profit or loss was an elimination of rent expense (within administrative expenses), and the recognition of depreciation of the ROU asset, and interest (finance costs) on the lease liability. The Company's lease is denominated in Canadian dollars, therefore there was no additional volatility in foreign exchange amounts recognized in profit or loss. See Note 6 for additional details.

*New Interpretation IFRIC 23 - Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 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.

There were no reporting changes as a result of adopting the new Interpretation.

---

**Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)****Notes to the Condensed Interim Consolidated Financial Statements****(Unaudited – Prepared by Management)****(Expressed in Canadian Dollars)**

---

**For the three months ended December 31, 2019, and December 31, 2018**

---

**3. SHARE 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 Licence issued by Health Canada on the Company's facility, Labs does not own other material assets or liabilities.

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 Licence (Note 1).

**4. RECEIVABLES**

The Company's receivables comprise the following:

	<b>December 31, 2019</b>	September 30, 2019
	\$	\$
Sales tax recoverable	111,794	43,472
Trade receivable	367,500	-
	<b>479,294</b>	43,472

**5. PREPAID EXPENSES AND ADVANCES**

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

	<b>December 31, 2019</b>	September 30, 2019
	\$	\$
Expense advances (Note 9)	5,618	11,917
Investor relations and promotion	36,798	84,000
Prepaid management fees (Note 9)	57,855	60,000
Retainers	6,672	6,284
	<b>106,943</b>	162,201

**Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

For the three months ended December 31, 2019, and December 31, 2018

**6. PROPERTY AND EQUIPMENT**

	Extraction equipment \$	Furniture and equipment \$	Mobile trailer \$	Leasehold improvements \$	Right-of-use asset \$	Total \$
<b>Cost</b>						
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
<b>Accumulated depreciation</b>						
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
<b>Cost</b>						
September 30, 2019	3,452,575	187,617	257,173	1,081,978	-	4,979,343
Additions	694,765	-	-	418,128	-	1,112,893
Adoption of IFRS 16 on October 1, 2019	-	-	-	-	188,316	188,316
<b>December 31, 2019</b>	<b>4,147,340</b>	<b>187,617</b>	<b>257,173</b>	<b>1,500,106</b>	<b>188,316</b>	<b>6,280,552</b>
<b>Accumulated depreciation</b>						
September 30, 2019	821,742	46,057	89,324	4,880	-	962,003
Depreciation	114,211	7,078	8,392	100,688	12,575	242,944
<b>December 31, 2019</b>	<b>935,953</b>	<b>53,135</b>	<b>97,716</b>	<b>105,568</b>	<b>12,575</b>	<b>1,204,947</b>
<b>Net book value</b>						
September 30, 2019	2,630,833	141,560	167,849	1,077,098	-	4,017,340
<b>December 31, 2019</b>	<b>3,211,387</b>	<b>134,482</b>	<b>159,457</b>	<b>1,394,538</b>	<b>175,741</b>	<b>5,075,605</b>

Certain of the Company's extraction equipment was not yet in use as at December 31, 2019, and September 30, 2019. 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 December 31, 2019, the remaining term of the Company's facility lease was 3.50 years, before considering extension options. As at September 30, 2018, since the Company had not yet obtained the Standard Processing Licence, there was no accumulated depreciation on leasehold improvements.

**Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

**For the three months ended December 31, 2019, and December 31, 2018**

**6. PROPERTY AND EQUIPMENT**

Equipment deposits:

The Company paid cash deposits for cannabis extraction equipment which had not yet been received as at December 31, 2019 and September 30, 2019. A continuity of equipment deposits is as follows:

	<b>December 31, 2019</b>	September 30, 2019
	\$	\$
Balance, beginning of period/year	338,148	65,704
Deposits paid	-	328,444
Deposits refunded	-	(56,000)
<b>Balance, end of period/year</b>	<b>338,148</b>	<b>338,148</b>

Depreciation allocation:

During the three months ended December 31, 2019, depreciation of \$242,944 was allocated entirely to expenses (2018 - \$79,894 allocated entirely to expenses).

Right-of-use (“ROU”) asset:

The Company’s ROU asset includes its processing facility and corporate office lease in Coquitlam, BC (Note 17).

**Lease liability:**

A reconciliation of the carrying amount of the lease liability for the three months ended December 31, 2019 is as follows:

	<b>December 31, 2019</b>
	\$
October 1, 2019 (Note 2)	201,278
Lease payments	(15,951)
Lease interest (finance costs)	4,915
<b>December 31, 2019</b>	<b>190,242</b>
<b>Current portion of lease liability</b>	<b>64,458</b>
<b>Non-current portion of lease liability</b>	<b>125,784</b>
	<b>190,242</b>

As at December 31, 2019, the total undiscounted amount of the estimated future cash flows to settle the Company’s lease liability over the remaining lease term is approximately \$236,000.

**Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

**For the three months ended December 31, 2019, and December 31, 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 Licence to Nextleaf Labs Ltd. (Note 1).

	Shatter patent \$	Cannabinoid formulations \$	Patents issued / pending \$	Total \$
<b>Cost</b>				
September 30, 2018	-	-	-	-
Additions	200,000	252,550	78,158	530,708
September 30, 2019	200,000	252,550	78,158	530,708
<b>Accumulated amortization</b>				
September 30, 2018	-	-	-	-
Amortization	-	-	1,106	1,106
September 30, 2019	-	-	1,106	1,106
<b>Cost</b>				
September 30, 2019	200,000	252,550	78,158	530,708
Additions	-	-	78,728	78,728
<b>December 31, 2019</b>	<b>200,000</b>	<b>252,550</b>	<b>156,886</b>	<b>609,436</b>
<b>Accumulated amortization</b>				
September 30, 2019	-	-	1,106	1,106
Amortization	-	-	1,961	1,961
<b>December 31, 2019</b>	<b>-</b>	<b>-</b>	<b>3,067</b>	<b>3,067</b>
<b>Net book value</b>				
September 30, 2019	200,000	252,550	77,052	529,602
<b>December 31, 2019</b>	<b>200,000</b>	<b>252,550</b>	<b>153,819</b>	<b>606,369</b>

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 (paid February 6, 2020), and common shares with an aggregate fair value of \$300,000 (issued February 6, 2020).

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

---

**Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

---

**For the three months ended December 31, 2019, and December 31, 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 three months ended December 31, 2019**

- There were no transactions for the issue of share capital during the three months ended December 31, 2019.

**Transactions for the issue of share capital during the three months ended December 31, 2018:**

- There were no transactions for the issue of share capital during the three months ended December 31, 2018.

**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 December 31, 2019, 27,132,081 common shares were held in escrow (September 30, 2019 – 27,132,081).

**Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

**For the three months ended December 31, 2019, and December 31, 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 December 31, 2019 and September 30, 2019 and changes during the period/year then ended is as follows:

	Three months ended December 31, 2019		Year ended September 30, 2019	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	#	\$	#	\$
Options outstanding, beginning of period/year	13,989,287	0.35	-	-
Granted	450,000	0.50	6,550,000	0.35
Granted - Performance stock options	-	-	7,500,000	0.35
Replaced on RTO	-	-	200,000	0.35
Exercised	-	-	(260,713)	0.35
<b>Options outstanding, end of period/year</b>	<b>14,439,287</b>	<b>0.36</b>	<b>13,989,287</b>	<b>0.35</b>

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

	Options outstanding #	Options exercisable #	Weighted average	Expiry date	Weighted average
			exercise price \$		remaining life (years)
	114,287	114,287	0.35	May 1, 2022	2.33
(1)	13,725,000	7,550,000	0.35	March 15, 2024	4.21
	150,000	150,000	0.50	July 8, 2024	4.52
	300,000	-	0.50	October 15, 2024	4.79
	150,000	-	0.50	October 16, 2024	4.80
	<b>14,439,287</b>	<b>7,814,287</b>	<b>0.36</b>		<b>4.21</b>

(1) Includes 7,500,000 performance stock options held by officers and directors of the Company.

The Company recorded the fair value of the stock options granted during the three months ended December 31, 2019, 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 was determined using the following weighted average assumptions:

	December 31, 2019
Risk-free interest rate	1.57%
Expected life of options	5.00
Expected volatility	100%
Dividend rate	0%

**Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

**For the three months ended December 31, 2019, and December 31, 2018**

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

**Stock options** (continued)

The total share-based payment expense for the three months ended December 31, 2019 was \$431,980, which includes only those stock options that vested during the period then ended (2018 - \$nil).

**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 December 31, 2019 and September 30, 2019 and changes during the period/year then ended is as follows:

	<b>Three months ended December 31, 2019</b>		<b>Year ended September 30, 2019</b>	
	<b>Warrants #</b>	<b>Weighted average exercise price \$</b>	<b>Warrants #</b>	<b>Weighted average exercise price \$</b>
Warrants outstanding, beginning of period/year	25,470,305	0.69	750,000	0.25
Issued - attached to units	-	-	24,685,711	0.70
Issued - finders' warrants	-	-	868,071	0.37
Replaced on RTO - finders' warrants	-	-	112,203	0.35
Exercised	-	-	(195,680)	0.35
Expired	-	-	(750,000)	0.25
<b>Warrants outstanding, end of period/year</b>	<b>25,470,305</b>	<b>0.69</b>	<b>25,470,305</b>	<b>0.69</b>

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

<b>Warrants #</b>	<b>Weighted average exercise price \$</b>	<b>Expiry Date</b>	<b>Weighted average remaining life (years)</b>
14,285,711	0.70	March 14, 2021	1.20
485,969	0.35	March 21, 2021	1.22
298,625	0.40	May 15, 2021	1.37
10,400,000	0.70	May 15, 2021	1.37
<b>25,470,305</b>	<b>0.69</b>		<b>1.27</b>



**Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

**For the three months ended December 31, 2019, and December 31, 2018**

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

**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, 2018	37,500	-	37,500
December 31, 2018	37,500	-	37,500
September 30, 2019	306,144	2,750,342	3,056,486
Options vesting	-	431,980	431,980
<b>December 31, 2019</b>	<b>306,144</b>	<b>3,182,322</b>	<b>3,488,466</b>

**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 Condensed Interim Consolidated Financial Statements**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

**For the three months ended December 31, 2019, and December 31, 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, and companies controlled by them.

The remuneration of key management for the three months ended December 31, 2019 and December 31, 2018 are as follows:

	<b>December 31, 2019</b>	December 31, 2018
	\$	\$
Directors' fees	17,500	-
Management fees	110,400	110,400
Share-based payments	288,369	-
	<b>416,269</b>	110,400

**Amounts payable to related parties**

The following amounts are payable to related parties and included in accounts payable and accrued liabilities as at December 31, 2019 and September 30, 2019:

	<b>December 31, 2019</b>	September 30, 2019
	\$	\$
Amounts due to Officers/Directors	101,900	50,345
	<b>101,900</b>	50,345

**Amounts receivable from/prepaid to related parties**

The following amounts are prepaid to related parties as at December 31, 2019 and September 30, 2019:

	<b>December 31, 2019</b>	September 30, 2019
	\$	\$
Prepaid management fees and expenses	61,728	68,573
	<b>61,728</b>	68,573

**Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

**For the three months ended December 31, 2019, and December 31, 2018**

**10. ADMINISTRATIVE EXPENSES**

Administrative expenses are comprised of the following:

	Three months ended	
	December 31, 2019 \$	December 31, 2018 \$
<b>Administrative expenses</b>		
General and administrative	70,983	40,742
Rent (Note 17)	21,946	31,968
Repairs and maintenance	13,284	18,537
Supplies	12,510	-
Transfer agent and filing fees	27,292	-
	<b>146,015</b>	<b>91,247</b>

**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
Trade receivable	Amortized cost	Amortized cost
Deposit	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
Lease liability	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 Condensed Interim Consolidated Financial Statements**  
**(Unaudited – Prepared by Management)**  
**(Expressed in Canadian Dollars)**

---

**For the three months ended December 31, 2019, and December 31, 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 December 31, 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 December 31, 2019.

Cash is held with a Canadian chartered bank and accordingly, the Company's exposure to credit risk on cash is considered insignificant. As at December 31, 2019, the Company had trade receivable was due from a single customer in addition to sales tax recoverable due from the Government of Canada. Management considers the credit risk to be low with respect to sales tax recoverable. The Company's trade receivable is current, and management considers the credit risk to be low with this customer.

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:

- Trade receivable;
- Loans receivable; and
- Deposit.

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 (except for a specific historical occurrence (Note 6)).

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for its trade receivable, and 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, trade receivable, deposit, and loans receivable are grouped by debtor, and each debtor's circumstances are reviewed. There is one debtor for trade receivable, two debtors for loans receivable, and one debtor for deposit (as it represents the security deposit on the Company's facility). 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 December 31, 2019, the loss allowance was \$nil for trade receivable, deposit, and loans receivable. There has been no historical loss allowance recorded on these items.

Trade receivable, deposit, 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.

**Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

**For the three months ended December 31, 2019, and December 31, 2018**

**11. FINANCIAL INSTRUMENTS (continued)**

**Liquidity risk**

The Company manages liquidity risk by maintaining an adequate level of cash to meet its ongoing obligations. The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future. As at December 31, 2019, the Company had working capital of \$1,635,838, 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).

**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.

As at December 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 \$56,100.

**(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 investing activities during the three months ended December 31, 2019 and December 31, 2018 as follows:

	<b>December 31, 2019</b>	December 31, 2018
	\$	\$
Non-cash investing activities:		
Purchases of property and equipment in accounts payable and accrued liabilities	731,305	429,042
Recognition of property and equipment as an ROU asset (Note 6)	188,316	-
Intangible asset costs in accounts payable and accrued liabilities	20,221	-

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

**Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

**For the three months ended December 31, 2019, and December 31, 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 three months ended December 31, 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:

	<b>December 31, 2019</b>	September 30, 2019
	\$	\$
Balance, beginning of period/year	586,535	55,000
Advances	-	520,000
Interest accrual (interest income)	4,840	11,535
<b>Balance, end of period/year</b>	<b>591,375</b>	<b>586,535</b>
<b>Current portion</b>	<b>76,100</b>	75,000
<b>Non-current portion</b>	<b>515,275</b>	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 December 31, 2019, the total amount receivable by the Company was \$515,275 (comprising \$500,000 principal, and \$15,275 accrued interest receivable).

As at September 30, 2019, principal of \$500,000, and \$11,535 in accrued interest 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 on October 11, 2019 (Note 3). 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. As at December 31, 2019, the total amount receivable by the Company was \$76,100 (comprising \$75,000 principal, and \$1,100 accrued interest receivable).

**Nextleaf Solutions Ltd. (formerly Legion Metals Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

**For the three months ended December 31, 2019, and December 31, 2018**

**16. GOVERNMENT ASSISTANCE**

Scientific Research and Experimental Development (SR&ED)

During the year ended September 30, 2019, the Company received \$195,366 from the SR&ED Program. 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.

As at December 31, 2019, the Company is in the process of determining its SR&ED refund application for its fiscal 2019 expenditures. Accordingly, no amounts were accrued as at December 31, 2019.

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 year ended September 30, 2019, \$74,481 was received under the grant. As at December 31, 2019, there was no agreement in effect. Accordingly, no amounts were accrued as at December 31, 2019.

**17. COMMITMENT**

Facility lease

The Company has an agreement to lease its centralized processing facility and corporate office (Note 6). 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 (remaining)	48,180
2021	66,012
2022	69,120
2023	52,763
<b>Undiscounted amount of lease liability (Note 6)</b>	<b>236,075</b>
Future finance charges	(45,833)
<b>Total (Note 6)</b>	<b>190,242</b>

For the three months ended December 31, 2019, amounts paid by the Company are included as a reduction to the lease liability (Note 6). Amounts paid during the year ended September 30, 2019 are included in rent (Note 10).

**18. ROYALTY AGREEMENT**

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

The Company will also contribute cash to the Licencee for use in the development of the Licencee’s business. The date of this contribution is being negotiated between the parties. This cash contribution is repayable to the Company if the Royalty Agreement terminates on or before December 6, 2024.

**19. SUBSEQUENT EVENT**

On January 22, 2020, Health Canada granted a Cannabis Research Licence to Labs on the Company’s Standard Processing Facility.