

EUROLIFE BRANDS INC.



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and six months ended June 30, 2020

Eurolife Brands Inc.
Interim Condensed Consolidated Statements of Financial Position (Unaudited)
(Expressed in Canadian Dollars)

As at	Note	June 30, 2020	December 31, 2019
		\$	\$
ASSETS			
Current assets			
Cash		258,637	303,026
Account receivable		280,915	27,600
Related party loan	8	46,046	-
Prepays		51,049	67,597
HST recoverable		29,990	503,201
		666,637	901,424
Equipment	4	24,650	25,628
Licenses and other intangible assets	5	654,966	463,833
TOTAL ASSETS		1,346,253	1,390,885
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	108,588	279,378
Deferred revenue		-	4,000
Other liabilities		-	9,948
TOTAL CURRENT LIABILITIES		108,588	293,326
Canada Emergency Business Account (CEBA)	6	40,000	-
		148,588	-
SHAREHOLDERS' EQUITY			
Share capital	7	13,215,469	12,033,390
Share subscriptions receivable	7	(550,472)	(299,157)
Share-based payment reserve	7	2,644,515	2,017,580
Deficit		(14,111,847)	(12,654,254)
TOTAL SHAREHOLDERS' EQUITY		1,197,665	1,097,559
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,346,253	1,390,885

Nature and continuance of operations (Note 1)

Eurolife Brands Inc.
Interim Condensed Consolidated Statements of Comprehensive Loss (Unaudited)
(Expressed in Canadian Dollars)

	Notes	Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
Revenue		46,333	2,050	94,583	11,550
Expenses					
Accounting and legal		\$23,160	(8,952)	49,958	17,131
Advertising and marketing		36,818	22,629	399,804	89,580
Amortization	4,5	19,678	5,852	39,357	11,680
Compliance and regulatory		21,583	9,595	35,117	36,325
Consulting		84,095	93,974	182,296	183,572
Hosting, licenses and subscriptions		2,090	6,369	18,013	12,949
Investor relations		6,500	71,763	23,260	101,615
Office and sundry		11,455	21,274	131,928	42,180
Platform development		11,267	142,442	82,956	293,820
Share-based compensation	7	39,501	596,770	437,571	1,741,127
Travel and business development		30,287	313,466	157,795	384,904
		286,434	1,275,182	1,558,055	2,914,883
		(240,101)	(1,273,132)	(1,463,472)	(2,903,333)
Other items					
Other income		-	-	5,879	-
Total comprehensive loss		(240,101)	(1,273,132)	(1,457,593)	(2,903,333)
Per Share Information					
Net loss per share – basic and diluted		\$(0.00)	\$(0.01)	\$(0.00)	\$(0.02)
Weighted average number of common shares outstanding		382,861,943	200,282,356	379,923,005	192,613,952

Eurolife Brands Inc.
Interim Condensed Consolidated Statement of Changes in Shareholders' Equity (Unaudited)
(Expressed in Canadian Dollars)

	Note	Share capital		Share-based payment reserve	Share subscriptions receivable	Deficit	Total
		Number of shares *	Amount				
			\$	\$	\$	\$	\$
Balance at December 31, 2018		181,697,844	6,505,299	321,376	(744,475)	(5,670,811)	411,389
Issuance of common shares for cash	6	42,050,000	2,102,500	-	(50,010)	-	2,052,490
Share issue costs		-	(24,173)	8,223	-	-	(15,950)
Issuance of common shares for debt and services	6	6,874,290	412,150	-	-	-	412,150
Issuance of common shares upon exercise of options	6	17,166,844	1,718,981	(640,925)	(198,272)	-	530,150
Issuance of common shares upon milestone achievement	6	27,535,400	1,583,609	-	-	-	1,583,609
Share based compensation	6	-	-	1,877,530	-	-	1,877,520
Cancellation of exercised options	6	(5,440,000)	(1,144,976)	451,376	693,600	-	-
Share exchange for licenses	6	88,000,000	880,000	-	-	-	880,000
Net and comprehensive loss		-	-	-	-	(6,983,443)	(6,983,443)
Balance at December 31, 2019		357,884,378	12,033,390	2,017,580	(299,157)	(12,654,254)	1,097,559
Issuance of common shares for cash	6	14,110,000	458,137	247,363	(200,000)	-	505,500
Share subscription receivable		-	-	-	28,085	-	28,085
Issuance of common shares for debt and services	6	5,197,500	259,875	-	-	-	259,875
Issuance of common shares upon exercise of options	6	2,000,000	158,000	(58,000)	-	-	100,000
Issuance of common shares upon exercise of warrants	6	1,588,000	79,400	-	(79,400)	-	-
Cancellation of common shares issued upon milestone achievement		(2,500,000)	-	-	-	-	-
Share based compensation	6	-	-	437,572	-	-	437,572
Cancellation of exercised options	6	(1,930,756)	-	-	-	-	-
Share exchange for licenses	6	5,666,667	226,667	-	-	-	226,667
Net and comprehensive loss		-	-	-	-	(1,457,593)	(1,457,593)
Balance at June 30, 2020		382,015,789	13,215,469	2,644,515	(550,472)	(14,111,847)	1,197,665

* On August 16, 2019 the Company completed a 4:1 share split. All share numbers have been restated to reflect the split.

Eurolife Brands Inc.
Interim Condensed Consolidated Statements of Cash Flows (Unaudited)
(Expressed in Canadian Dollars)

Notes	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Operating Activities				
Net loss from continuing operations	(240,101)	(1,273,132)	(1,457,593)	(2,903,333)
Items not affecting cash and cash equivalents:	-	-	-	-
Amortization	19,678	5,852	39,357	11,680
Share based compensation	39,501	1,741,127	437,571	1,741,127
	(180,922)	473,847	(980,665)	(1,150,526)
Accounts receivable	122	-	(153,315)	19,408
Related party loan	(46,046)	-	(46,046)	-
Prepaid expenses	32,479	13,911	16,548	39,531
HST recoverable	92,440	39,423	473,209	-
Accounts payable and accrued liabilities	(98,776)	274,051	89,088	82,485
Deferred revenue	(1,600)	8,800	(4,000)	(575)
Net change in non-cash working capital related to operations	(21,381)	336,185	375,484	140,849
Cash flows from/(used in) operating activities	(202,303)	810,032	(605,181)	(1,009,677)
Investing Activities				
Property and equipment expenditures	-	(857)	(2,845)	(1,087)
Cash flows used in investing activities	-	(857)	(2,845)	(1,087)
Financing Activities				
Proceeds from the issuance of shares (net of issuance costs)	-	(1,308,010)	505,500	651,478
Canada Emergency Business Account (CEBA)	40,000	-	40,000	-
Proceeds from option exercises	100,000	-	100,000	-
Share subscriptions receivable	(13,732)	-	28,085	-
Accounts receivable	(100,000)	-	(100,000)	-
Obligation to issue shares	-	-	(9,948)	-
Net change in non-cash working capital related to financing	(113,732)	-	(81,863)	-
Cash flows from financing activities	26,268	(1,308,010)	563,637	651,478
Increase/(decrease) in cash and cash equivalents	(176,035)	(498,835)	(44,389)	(359,286)
Cash and cash equivalents, beginning of period	434,672	357,054	303,026	217,505
Cash and cash equivalents, end of period	258,637	\$(141,781)	258,637	(141,781)
Non-cash transactions:				
Licenses acquired for share exchange	-	-	226,667	-
Subscriptions receivable on exercise of stock options	-	-	-	520,000
Accounts payable net-off by subscriptions receivable	79,400	528,682	79,400	528,682
Common shares issued for debt	-	-	259,875	173,931

Eurolife Brands Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

As at and for the Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars)

1. NATURE AND GOING CONCERN

Eurolife Brands Inc. (formerly Cannvas MedTech Inc.) (the “Company” or “Eurolife”) was incorporated pursuant to the Canada Business Corporations Act on November 24, 2014. On June 23, 2017, the Company continued from the federal jurisdiction to the jurisdiction of British Columbia. The Company’s corporate office is located at Suite 804, 750 Pender Street, Vancouver, British Columbia V6C 2T7.

On May 12, 2015, AgraFlora Organics International Inc. (“Agra”), a company listed on the Canadian Securities Exchange, acquired 100% of the Company’s issued shares. At December 31, 2017, Agra owned 21% of the Company’s issued shares. On January 16, 2018, Agra distributed its investment in the Company to its shareholders. The Company became a reporting issuer in British Columbia on July 3, 2018.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred a net loss for the six months ended June 30, 2020 of \$1,457,593 (2019 – \$2,903,333), and had a deficit of \$14,111,847 as at June 30, 2020 and \$12,654,254 as at December 31, 2019. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company relies upon the issuance of securities for financing of its operations. The Company intends to continue relying upon the issuance of securities to finance its operations to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. These consolidated financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting.

The Interim Financial Statements should be read in conjunction with the audited annual consolidated financial statements of Eurolife as at and for the years ended December 31, 2019 and 2018 and the notes thereto (the “Annual Financial Statements”). The Interim Financial Statements have been prepared on a basis consistent with the accounting, estimation and valuation policies described in the Annual Financial Statements.

The Interim Financial Statements were approved and authorized for issue by the Audit Committee of the Board of Directors of Eurolife on August 24, 2020.

Basis of consolidation

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. These consolidated financial statements include the accounts of the Company and its Canadian wholly-owned subsidiary Cannvas Data Inc., Cannvas Creative Inc., Cannvas Cannabis Acquisitions Corp. and 1216165 BC Ltd.. Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

Presentation and functional currency

The functional currency of the parent company is the Canadian dollar, which is also the presentation currency of the consolidated financial statements. The functional currency of the Company's Canadian subsidiaries is also the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Significant accounting judgments and estimates

The preparation of Interim Financial Statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are outlined in the Annual Financial Statements.

On January 30, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) outbreak a Public Health Emergency of International Concern and, on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. These measures have caused and will continue to cause significant disruption to business operations and a significant increase in economic uncertainty. The potential direct and indirect impacts of the economic downturn have been considered in management's estimates, and assumptions at period end have been reflected in our results.

The COVID-19 pandemic is an evolving situation that will continue to have widespread implications for our business environment, operations and financial condition. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact our financial results in 2020.

Estimates and judgements are continually 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company's significant accounting policies under IFRS are presented in Note 3 to the Annual Financial Statements. Certain information and disclosures normally required to be included in the notes to the Annual Financial Statements prepared in accordance with IFRS have been condensed or omitted in the Interim Financial Statement.

4. EQUIPMENT

	Computer equipment	Furniture and fixtures	Total
Cost:	\$	\$	\$
December 31, 2018	26,493	23,014	49,507
Additions	3,496	-	3,496
December 31, 2019	29,989	23,014	53,003
Additions	2,845	-	2,845
June 30, 2020	32,834	23,014	55,848
Amortization:			
December 31, 2018	8,737	4,961	13,698
Amortization	9,074	4,603	13,677
December 31, 2019	17,811	9,564	27,375
Amortization	2,478	1,345	3,823
June 30, 2020	20,289	10,909	31,198
Net book value:			
December 31, 2019	12,178	13,450	25,628
June 30, 2020	12,545	12,105	24,650

5. LICENSES AND OTHER INTANGIBLE ASSETS

On July 29, 2019 the Company purchased 1216165 B.C. Ltd. ("TF" or "True Focus") for 20,000,000 common shares of the Company. TF is the beneficial owner of an exclusive license to develop and market products under the "True Focus" trade name, utilizing proprietary intellectual property in the jurisdictions of South America, Albania, Belarus, Bosnia, Kosovo, Moldova, Montenegro, Russia, Serbia, Turkey and Ukraine. TF also has an option on pursuing a joint-venture arrangement in which it will be permitted to utilize the True Focus proprietary intellectual property on a non-exclusive basis for the marketing of products in Mexico.

The fair market value for the license was determined to be \$800,000. The value is based upon market assessment of various factors relating to the True Focus brand in the marketplace. In addition, a finder's fee of 2,000,000 shares was granted which were valued at \$80,000.

In late 2019, the cannabis market in general declined significantly and the Company has impaired the value of True Focus by approximately 45%.

On January 10, 2020, the Company acquired intellectual property in exchange for 5,666,667 common shares valued at a fair market value of \$226,667.

The licenses and other intangible assets will be depreciated over a period of 10 years.

	\$
Balance, December 31, 2018	-
Additions	880,000
Amortization	(36,667)
Impairment expense	(379,500)
Balance, December 31, 2019	463,833
Additions	226,667
Amortization	(35,534)
Balance, June 30, 2020	654,966

6. CANADA EMERGENCY BUSINESS ACCOUNT (CEBA)

During the second quarter of 2020, the Company received a \$40,000 CEBA loan. The terms of the loan are as follows:

- Repayment of 75%, or up to \$30,000, of the contribution amount, on or before December 31, 2022, will result in the forgiveness of 25%, or up to \$10,000 of the total contribution;
- No scheduled monthly repayments are required until after December 31, 2022;
- If 75% of the contribution amount is not repaid by December 31, 2022, the balance owing will be converted to an additional three (3) year term repayable contribution (with a fixed monthly repayment schedule), beginning January 2023, with no forgivable portion;
- The full balance, of the contribution amount must be repaid no later than December 31, 2025.

7. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value.

Issued:

As at June 30, 2020 the Company has 382,015,789 shares issued and outstanding (December 31, 2019 – 357,884,378).

On August 16, 2019 the Company completed a 4:1 share split. All share numbers have been retroactively restated to reflect the split.

On January 10, 2020, the Company issued 5,666,667 common shares to acquire intellectual property from 9385-4594 Quebec Inc.

On January 15, 2020, the Company issued 12,110,000 units at \$0.05 per unit raising gross proceeds of \$605,500. Each unit consisted of one common share of the Company and one transferable common share purchase warrant exercisable at \$0.075 per warrant for 2 years.

On January 24, 2020, the Company cancelled an aggregate of 1,930,756 common shares.

On March 10, 2020, the Company issued 2,000,000 units of the Company at a price of \$0.05 per unit. Each unit consists of one common share and one transferable common share purchase warrant with an exercise price of \$0.075 per share, expiring 2 years from the date of grant.

On March 11, 2020, the Company issued 5,197,500 common shares to consultants of the Company to settle debt in the amount of \$259,875. The common shares were issued at a price of \$0.05 per common share.

On April 14, 2020, the Company issued 1,588,000 common shares on the exercise of warrants for settlement of \$79,400 of debt.

On May 12, 2020, the Company issued 2,000,000 common shares on exercise of options for total proceeds of \$100,000.

On May 13, 2020, the Company cancelled 2,500,000 shares returned by an director and officer of the company, previously issued for milestone achievements.

b) Share Purchase Warrants

The issuances of the share purchase warrants are summarized as follows:

	Three months ended June 30, 2020		Year ended December 31, 2019	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Warrants outstanding, beginning of Period	59,414,920	0.130	17,045,920	\$ 0.125
Issued July 16, 2019	-	-	20,180,000	0.075
Issued July 24, 2019	-	-	10,289,000	0.075
Issued July 26, 2019	-	-	11,900,000	0.075
Issued Jan 14, 2020	12,110,000	0.075	-	-
Exercised	(1,588,000)	0.050	-	-
Expired	(15,957,920)	0.125	-	-
Warrants outstanding, end of period	53,979,000	0.079	59,414,920	\$ 0.09

On April 2, 2020 the Company repriced an aggregate of 59,295,920 common share purchase warrants (the "Warrants") to \$0.05 per common share until May 4, 2020. The reprice extended to outstanding Warrants with an exercise price between \$0.05 and \$0.125 and an expiry date between May 4, 2020 and January 15, 2022.

As at June 30, 2020, the Company had outstanding warrants as follows:

Expiry date	Exercise price	Remaining life (years)	Warrants outstanding
July 16, 2021	0.080	1.04	19,680,000
July 24, 2021	0.080	1.07	10,289,000
July 26, 2021	0.080	1.07	11,900,000
January 14, 2022	0.075	1.54	12,110,000
	0.079		53,979,000

c) Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, and consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares.

Eurolife Brands Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

As at and for the Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars)

A summary of the Company's stock option transactions is presented below:

	Six months Ended June 30, 2020		Year Ended December 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	23,459,000	0.071	11,218,000	0.075
Granted	14,000,000	0.050	40,622,844	0.074
Exercised	(2,000,000)	0.050	(17,166,844)	0.063
Expired	(3,228,000)	0.064	(1,390,000)	0.077
Cancelled	-	-	(9,825,000)	0.100
Options outstanding, end of period	32,231,000	0.064	23,459,000	0.071
Options exercisable, end of period	32,231,000	0.064	23,459,000	0.071

The share options outstanding as at June 30, 2020 are as follows:

Grant date	Number of options outstanding *	Exercise price*	Expiry date
August 15, 2018	260,000	0.085	August 15, 2020
February 4, 2019	4,756,000	0.075	February 4, 2021
March 27, 2019	4,000,000	0.069	March 27, 2024
July 9, 2019	800,000	0.051	July 9, 2020
July 30, 2019	3,400,000	0.050	July 30, 2020
July 31, 2019	460,000	0.070	July 31, 2020
September 3, 2019	3,750,000	0.110	September 3, 2021
September 24, 2019	100,000	0.105	September 24, 2020
November 22, 2019	2,705,000	0.050	November 22, 2021
January 28, 2020	6,250,000	0.050	January 28, 2022
January 28, 2020	600,000	0.050	January 28, 2021
January 30, 2020	3,300,000	0.050	January 28, 2022
March 9, 2020	1,000,000	0.050	March 9, 2023
April 1, 2020	100,000	0.050	April 1, 2021
April 28, 2020	750,000	0.050	April 28, 2022
	32,231,000	0.064	

The Company recognized \$437,571 (2019: \$1,741,127) in share-based compensation in the six months ended June 30, 2020.

The fair value of options was estimated using the Black-Scholes Option Pricing Model based on the date of grant and using the following assumptions:

Grant date	Risk-free interest rate	Expected stock price volatility	Expected life	Fair value Option price (post split)
January 14, 2019	1.89%	115%	5	0.070
February 4, 2019	1.83%	110%	2	0.075
February 6, 2019	1.80%	109%	1	0.075
March 14, 2019	1.66%	103%	1	0.073
March 27, 2019	1.44%	101%	5	0.069
July 9, 2019	1.53%	99%	1	0.051
July 30, 2019	1.58%	80%	1	0.050
July 31, 2019	1.16%	82%	1	0.070
September 3, 2019	1.34%	141%	2	0.110
September 24, 2019	1.53%	89%	1	0.105
November 18, 2019	1.57%	109%	2	0.014
November 22, 2019	1.61%	109%	2	0.013
January 28, 2020	1.52%	125%	1	0.020
January 28, 2020	1.48%	149%	2	0.031
January 30, 2020	1.47%	149%	2	0.027
March 9, 2020	0.55%	152%	3	0.027
April 1, 2020	0.44%	159%	1	0.007
April 28, 2020	0.34%	150%	2	0.036

All option grants have an expended dividend yield of 0% and a forfeiture rate of 0%.

On January 28, 2020, the Company granted 6,850,000 stock options to certain directors, officers and consultants of the Company exercisable at \$0.05 per common share expiring 1-2 years from the date of grant.

On January 30, 2020, the Company granted 4,300,000 stock options to certain directors, officers and consultants of the Company exercisable at \$0.05 per common share expiring 2 years from the date of grant.

On March 9, 2020, the Company granted 2,000,000 stock options to certain consultants of the Company exercisable at \$0.05 per common share expiring 3 years from the date of grant.

On April 1, 2020, the Company granted 100,000 stock options to a consultant of the Company exercisable at \$0.05 per common share expiring 1 year from the date of grant.

On April 28, 2020, the Company granted 750,000 stock options to a consultant of the Company exercisable at \$0.05 per common share expiring 2 years from the date of grant.

d) Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

8. RELATED PARTY TRANSACTIONS

The Company incurred the following transactions with companies that are controlled by directors and related parties of the Company:

	Three months ended	
	June 30, 2020	June 30 2019
Consulting and other fees	\$ 129,351	89,598
Stock-based compensation	62,478	226,727
	\$ 191,829	\$ 316,325

As at June 30, 2020, the CEO and related companies owed the Company \$170,129.

As at June 30, 2020, the company had a \$46,046 related party receivable outstanding. The amount is unsecured, non-interest bearing and due on demand.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at June 30, 2020, the Company has total accounts payable and accrued liabilities of \$108,588 (December 31, 2019 - \$279,378). Such costs relate mainly to payables for work fees and general operating expenses.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The carrying values of cash, receivables, trade payables, and other liabilities approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash is measured using level 1 inputs.

Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing and revenue generation. Cash on hand at June 30, 2020 and expected cash flows for the next 12 months are sufficient to fund the Company's ongoing operational needs. The Company may need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof. Liquidity risk is assessed as high.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. Foreign currency risk is assessed as low.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

11. SUBSEQUENT EVENTS

On August 11, 2020 the Company provided a corporate update on Operations. With a goal of leveraging its previous Canadian medicinal cannabis experience and consumer analytics depository, EuroLife is targeting tertiary segments of the fast-growing health and wellness sector in Canada and North America. Specifically, the Company's management team has laid out a preliminary plan to establish a network of health and wellness retail locations that will focus on healthy lifestyle options including specialty plant-based foods. In this regard, EuroLife has initiated discussions with leading Canadian manufacturers, distributors and brokers to offer a vast selection of health and wellness products. EuroLife's management expects to continue assessment of this opportunity and shall provide further updates in the near term.

EuroLife's Technology Division continues to be on track to post a positive return of cash flow this year through existing multi-year contracts:

- A \$460,000 licencing agreement with Empower Clinics to deliver brand, product, and industry knowledge to employees and over 165,000 patients across Empower's six corporate clinics in Arizona, Oregon, and Oklahoma and its nationwide tele-health platform, through EuroLife's "Cannvas.me" cloud based online educational platform.
- A Budtending Program with Aphria Inc., an online education portal, accessed by many hundreds of cannabis retailers and staff across Canada.

Due to COVID-19 related delays and resulting logistical issues, including the inability to safely and fully complete fulsome physical asset inspection and due diligence, combined with uncertainty surrounding the present economic climate in the European Union, EuroLife has elected not to proceed with the acquisition of CWE European Holdings Inc. (CWE), a Canadian Corporation, which owns and operates several HANF Hemp Stores in Germany and Luxembourg, as was disclosed via press release on April 23, 2020.

Further, in relation to the Company's pending acquisition of a 5% interest in Farmhaus as was more particularly outlined via press release on July 7, 2020, EuroLife has elected to postpone closing of the transaction pending further on-site due diligence. The Company will revisit its due diligence efforts when COVID related travel restrictions are lifted.

The Company also announced that it has closed on a non-brokered private placement (the "Private Placement") of 5,979,999 common shares (each a "Share") of the Company at a price of \$0.18 per Share for gross proceeds of \$1,076,400.00. Net proceeds raised in the Private Placement will be used to launch North American operations. Securities issued will be subject to a four-month hold period.

On August 20, 2020 the Company announced that it has entered into a Definitive Agreement (the "Agreement") dated August 18th, 2020 pursuant to which it will acquire 100 percent of the issued and outstanding securities of privately-held Plant & Co Marche Inc. by way of a share exchange agreement (the "Transaction"). Plant & Co

EuroLife Brands Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

As at and for the Three and Six Months Ended June 30, 2020

(Expressed in Canadian Dollars)

Marche Inc. is a privately held Canadian corporation which owns and operates "Plant & Co Marche" in Toronto, Ontario. Plant & Co Marche is a hybrid health and wellness brand with a retail location offering niche products catering to health and wellness conscious consumers with a focus on plant-based, vegan, vegetarian, hemp, and specialty immune boosting products. The transaction signifies the Company's first foray into the burgeoning health and wellness sector in North America.

"The acquisition of the Plant & Co Marche brand and retail location is an excellent segue into the growing health and wellness sector in Canada. It secures our foothold into the Canadian retail space in a key demographical area that is heavily populated, giving us tremendous commerce opportunity in-store, as well as delivery and online e-com," said Shawn Moniz, CEO of EuroLife. "The flagship location in Toronto will be emulated in other key demographic markets and larger centres across the country. Utilizing our previous experience in consumer behaviour and consumer targeting and analytics, we will aim to take this unique brand in the health and wellness sector to greater heights. We have an aggressive plan for expansion and will continue to look for opportune acquisition targets in Canada and North America."

The Plant & Co Marche flagship location is strategically located in Little Italy of Toronto, where approximately 100,000 households, apartments, and business are located within a 30min walk of Plant & Co Marche. Our flagship store will re-open following adjustments to the design, layout, and management training. The new design represents a refresh to the current sector within Canada, offering a modern European aesthetic, integrating niche inventories catering to "all things" health and wellness, within the new COVID-19 retail environment.

EuroLife and Plant & Co Marche have been collaborating with a variety of retail and consumer packaged goods experts to determine the final inventory product SKU's as well as identify potential additional retail locations throughout Ontario, Quebec, and British Columbia. In addition, the Company has completed a go-to-market retail plan for various products within the EuroLife family of brands, which will tie in private label "Plant & Co" capabilities within retail, e-commerce, and home-delivery options.

Pursuant to the Agreement, EURO will acquire 100 per cent of the issued and outstanding shares in the capital of Plant & Co Marche Inc. in exchange for 2,336,000 common shares in the capital of the Company at a deemed price per share equal to \$0.25.

The closing of the acquisition is subject to customary terms and conditions, and regulatory approval.