

EUROLIFE BRANDS INC.



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three and nine months ended September 30, 2020

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

As at	Note	September 30, 2020	December 31, 2019
		\$	\$
ASSETS			
Current assets			
Cash		731,798	303,026
Account receivable		386,728	27,600
Equity investment	4	250,000	-
Prepays		107,660	67,597
HST recoverable		57,085	503,201
		1,533,271	901,424
Equipment	5	22,735	25,628
Licenses and other intangible assets	6	637,200	463,833
		2,193,206	1,390,885
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	42,365	279,378
Deferred revenue		208,333	4,000
Other liabilities		-	9,948
		250,698	293,326
Canada Emergency Business Account (CEBA)	7	40,000	-
		290,698	-
SHAREHOLDERS' EQUITY			
Share capital	8	14,291,869	12,033,390
Share subscriptions receivable	8	(377,030)	(299,157)
Share-based payment reserve	8	2,651,069	2,017,580
Deficit		(14,663,400)	(12,654,254)
		1,902,508	1,097,559
		2,193,206	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 September 30,		Nine months Ended September 30,	
		2020	2019	2020	2019
Revenue		36,934	2,400	131,517	13,950
Expenses					
Accounting and legal		12,416	7,527	62,374	24,658
Advertising and marketing		49,575	87,703	449,379	177,283
Amortization	5,6	21,047	5,899	60,404	17,579
Compliance and regulatory		26,575	13,868	61,692	50,193
Consulting		50,717	149,368	233,013	332,940
Hosting, licenses, and subscriptions		26,581	5,323	44,594	18,272
Investor relations		3,000	126,451	26,260	228,066
Office and sundry		13,022	21,855	144,950	64,035
Platform development		79,625	226,369	162,581	520,189
Share-based compensation	8	6,555	1,392,824	444,126	3,133,951
Business development		299,374	1,000	457,169	385,904
		588,487	2,038,187	2,146,542	4,953,070
		(551,553)	(2,035,787)	(2,015,025)	(4,939,120)
Other items					
Other income		-	-	5,879	-
Total comprehensive loss		(551,553)	(2,035,787)	(2,009,146)	(4,939,120)
Per Share Information					
Net loss per share – basic and diluted		\$(0.01)	\$(0.10)	\$(0.05)	\$(0.25)
Weighted average number of common shares outstanding		43,465,782	20,010,048	39,830,114	19,737,145

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	8	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	8	6,874,290	412,150	-	-	-	412,150
Issuance of common shares upon exercise of options	8	17,166,844	1,718,981	(640,925)	(198,272)	-	530,150
Issuance of common shares upon milestone achievement	8	27,535,400	1,583,609	-	-	-	1,583,609
Share based compensation	8	-	-	1,877,530	-	-	1,877,520
Cancellation of exercised options	8	(5,440,000)	(1,144,976)	451,376	693,600	-	-
Share exchange for licenses	8	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	8	5,784,815	1,245,424	247,363	(200,000)	-	1,292,787
Share subscription receivable		-	-	-	201,527	-	201,527
Issuance of common shares for debt and services	8	2,125,934	548,988	-	-	-	548,988
Issuance of common shares upon exercise of options	8	200,000	158,000	(58,000)	-	-	100,000
Issuance of common shares upon exercise of warrants	8	158,800	79,400	-	(79,400)	-	-
Cancellation of common shares issued upon milestone achievement		(250,000)	-	-	-	-	-
Share based compensation	8	-	-	444,126	-	-	444,126
Cancellation of exercised options	8	(193,076)	-	-	-	-	-
Share exchange for licenses	8	566,667	226,667	-	-	-	226,667
Net and comprehensive loss		-	-	-	-	(2,009,146)	(2,009,146)
Balance at September 30, 2020		44,181,581	14,291,869	2,651,069	(377,030)	(14,663,400)	1,902,508

* On July 3, 2020 the Company completed a 10:1 share consolidation. All share numbers have been restated to reflect the consolidation.

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

	Three Months Ended September 30,		Nine months Ended September 30,		
	Notes	2020	2019	2020	2019
Operating Activities					
Net loss from continuing operations		(551,553)	(2,035,785)	(2,009,146)	(4,939,118)
Items not affecting cash and cash equivalents:					
Amortization		21,047	5,899	60,404	17,579
Share based compensation		6,555	1,392,824	444,126	3,133,951
		(523,951)	(637,062)	(1,504,616)	(1,787,588)
Accounts receivable		(105,813)	-	(259,128)	19,408
Equity investment		(250,000)	-	(250,000)	-
Related party loan		46,046	-	-	-
Prepaid expenses		(56,611)	(429,651)	(40,063)	(390,120)
HST recoverable		(27,094)	(142,190)	446,115	(142,190)
Accounts payable and accrued liabilities		222,888	(269,333)	311,976	(186,848)
Deferred revenue		208,333	(2,400)	204,333	(2,975)
Net change in non-cash working capital related to operations		37,749	(843,574)	413,233	(702,725)
Cash flows from/(used in) operating activities		(486,202)	(1,480,636)	(1,091,383)	(2,490,313)
Investing Activities					
Property and equipment expenditures		(1,366)	-	(4,211)	(1,087)
Acquisition of licenses		-	(4,000,000)	-	(4,000,000)
Cash flows used in investing activities		(1,366)	(4,000,000)	(4,211)	(4,001,087)
Financing Activities					
Proceeds from the issuance of shares (net of issuance costs)		787,287	6,252,295	1,292,787	6,903,773
Canada Emergency Business Account (CEBA)		-	-	40,000	-
Proceeds from option exercises		-	-	100,000	-
Share subscriptions receivable		173,442	-	201,527	-
Accounts receivable		-	-	(100,000)	-
Obligation to issue shares		-	-	(9,948)	-
Net change in non-cash working capital related to financing		173,442	-	91,579	-
Cash flows from financing activities		960,729	6,252,295	1,524,366	6,903,773
Increase/(decrease) in cash and cash equivalents		473,161	771,659	428,772	412,373
Cash and cash equivalents, beginning of period		258,637	(141,781)	303,026	217,505
Cash and cash equivalents, end of period		731,798	629,878	731,798	629,878
Non-cash transactions:					
Licenses acquired for share exchange		-	4,000,000	226,667	4,000,000
Subscriptions receivable on exercise of stock options		-	(430,413)	-	609,587
Accounts payable net-off by subscriptions receivable		-	(268,480)	79,400	260,202
Common shares issued for debt		289,113	(18,931)	548,988	328,931

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 nine months ended September 30, 2020 of \$2,009,146 (2019 – \$4,939,120), and had a deficit of \$14,663,400 as at September 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. Further discussion of liquidity risk has been disclosed in Note 11. 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 November 25, 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. EQUITY INVESTMENT

The Company received 2,500,000 common shares at a deemed value of \$250,000 of Empower Clinics (CBDT:CN) as part of its licencing agreement. On May 15, 2020, the Company signed a definitive agreement with Empower Clinics Inc. The agreement grants Empower an exclusive license to Eurolife's Canvas.me cloud based online educational platform in certain international jurisdictions. The agreement includes a three-year term with a three-year renewable option. An annual licensing fee will be paid over the life of the proposed agreement, consisting of a mixture of cash and stock totaling \$460,000 of top line revenue for Eurolife over the next 3 years.

Eurolife Brands Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

As at and for the Three and Nine months Ended September 30, 2020

(Expressed in Canadian Dollars)

5. 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	4,211	-	4,211
September 30, 2020	34,200	23,014	57,214
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	4,549	2,555	7,104
September 30, 2020	22,360	12,119	34,479
Net book value:			
December 31, 2019	12,178	13,450	25,628
September 30, 2020	11,840	10,895	22,735

6. 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	(53,300)
Balance, September 30, 2020	637,200

Eurolife Brands Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

As at and for the Three and Nine months Ended September 30, 2020

(Expressed in Canadian Dollars)

7. 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.

8. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value.

Issued:

As at September 30, 2020 the Company has 44,181,581 shares issued and outstanding (December 31, 2019 – 35,788,441).

On July 3, 2020 the Company completed a 10:1 share consolidation. All share numbers have been retroactively restated to reflect the consolidation.

On January 18, 2019, the Company issued 600,000 common shares to directors and officers of the Company on exercise of stock options for proceeds of \$420,000.

On January 18, 2019, the Company issued 23,481 common shares with a fair value of \$17,611 for settlement of \$17,611 of accounts payable to consultants.

On January 21, 2019, the Company issued 400,000 common shares to directors and officers of the Company for milestone achievements attained during the period.

On January 24, 2019, the Company issued 195,000 common shares with a fair value of \$146,250 for settlement of \$146,250 of accounts payable to directors and consultants.

On March 26, 2019, the Company issued 15,200 common shares to a consultant of the Company with a fair value of \$10,070 as settlement for services rendered.

On March 27, 2019, the Company issued 300,000 common shares to a consultant of the Company on exercise of stock options for proceeds of \$187,500.

On June 11, 2019, the Company cancelled 544,000 common shares issued to directors and officers of the Company for exercised stock options that remained unpaid.

On June 26, 2019, the Company issued 1,193,540 common shares to directors and officers of the Company for milestone achievements attained during the period.

On July 9, 2019, the Company issued 302,439 common shares with a fair value of \$155,000 for settlement of \$155,000 of services rendered by consultants.

On July 16, 2019, the Company issued 2,003,000 common shares at a price of \$0.50 per share for gross proceeds of \$1,001,500 pursuant to a non-brokered private placement of units. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire an additional common share at \$0.75 per share. In addition, 15,000 finder's warrants were granted with a fair value of

Eurolife Brands Inc.
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
As at and for the Three and Nine months Ended September 30, 2020
(Expressed in Canadian Dollars)

\$3,821 which was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 95%, risk free interest rates of 1.56%, expected life of 2 years and no dividend yield.

On July 24, 2019, the Company issued 1,012,000 common shares at a price of \$0.50 per share for gross proceeds of \$506,000 pursuant to a non-brokered private placement of units. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire an additional common share at \$0.75 per share. In addition, 16,900 finder's warrants were granted with a fair value of \$4,402, which was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 95%, risk free interest rates of 1.43%, expected life of 2 years and no dividend yield.

On July 26, 2019, the Company issued 1,190,000 common shares at a price of \$0.50 per share for gross proceeds of \$595,000 pursuant to a non-brokered private placement of units. Each unit consists of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share at a price of \$0.75 per share for a period of 2 years.

On August 7, 2019, the Company issued 8,800,000 common shares with a fair value of \$880,000 as part of a share for share exchange to acquire licenses (Note 5).

On August 7, 2019, the Company issued 1,160,000 common shares to directors and officers of the Company for milestone achievements attained during the year.

On August 13, 2019, the Company issued 104,400 common shares to a consultant of the Company on exercise of stock options for proceeds of \$78,300.

On September 24, 2019, the Company issued 7,000 common shares to a consultant of the Company on exercise of stock options for proceeds of \$5,950.

On October 21, 2019, the Company issued 80,000 common shares to a consultant of the Company on exercise of stock options for proceeds of \$58,400.

On November 27, 2019, the Company issued 151,309 common shares for settlement of \$83,220 of services rendered by consultants.

On December 4, 2019, the Company issued 625,284 common shares to a consultant and a director of the Company on exercise of stock options for proceeds of \$327,906.

As at December 31, 2019, a total of \$299,157 (2018 - \$744,475) in proceeds from option exercises were outstanding, of which \$62,500 (2018 - \$62,500) was due from a third-party consultant and \$236,657 (2018 - \$681,975) was due from directors and officers.

On January 10, 2020, the Company issued 566,667 common shares to acquire intellectual property from 9385-4594 Quebec Inc.

On January 15, 2020, the Company issued 1,211,000 units at \$0.50 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 \$0.75 per warrant for 2 years.

On January 24, 2020, the Company cancelled an aggregate of 193,076 common shares.

On March 10, 2020, the Company issued 200,000 units of the Company at a price of \$0.50 per unit. Each unit consists of one common share and one transferable common share purchase warrant with an exercise price of \$0.75 per share, expiring 2 years from the date of grant.

On March 11, 2020, the Company issued 519,750 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 \$0.50 per common share.

On April 14, 2020, the Company issued 158,800 common shares on the exercise of warrants for settlement of \$79,400 of debt.

Eurolife Brands Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

As at and for the Three and Nine months Ended September 30, 2020

(Expressed in Canadian Dollars)

On May 12, 2020, the Company issued 200,000 common shares on exercise of options for total proceeds of \$100,000.

On May 13, 2020, the Company cancelled 250,000 shares returned by a director and officer of the company, previously issued for milestone achievements.

On August 10, 2020, the Company issued 5,979,999 common shares on exercise of options for total proceeds of \$1,076,400.

b) Share Purchase Warrants

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

	Three months ended September 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	5,941,492	0.94	1,704,592	1.30
Issued July 16, 2019	-	-	2,018,000	0.75
Issued July 24, 2019	-	-	1,028,900	0.75
Issued July 26, 2019	-	-	1,190,000	0.75
Issued January 14, 2020	1,211,000	0.75	-	-
Issued March 11, 2020	200,000	0.75	-	-
Exercised	(158,800)	0.50	-	-
Expired	(1,595,792)	1.25	-	-
Warrants outstanding, end of period	5,597,900	0.75	5,941,492	0.94

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 September 30, 2020, the Company had outstanding warrants as follows:

Expiry date	Exercise price	Remaining life (years)	Warrants outstanding
July 16, 2021	0.75	0.79	1,968,000
July 24, 2021	0.75	0.81	1,028,900
July 26, 2021	0.75	0.82	1,190,000
January 14, 2022	0.75	1.29	1,211,000
March 11, 2023	0.75	2.44	200,000
	0.75		5,597,900

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 Nine months Ended September 30, 2020
(Expressed in Canadian Dollars)

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

	Nine months Ended September 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	2,345,900	0.71	1,121,800	0.75
Granted	1,400,000	0.50	4,062,284	0.62
Exercised	(200,000)	0.50	(1,716,684)	0.63
Expired	(810,000)	0.58	(139,000)	0.77
Cancelled	(785,000)	0.89	(982,500)	1.00
Options outstanding, end of period	1,950,900	0.56	2,345,900	0.71
Options exercisable, end of period	1,950,900	0.56	2,345,900	0.71

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

Grant date	Number of options outstanding *	Exercise price*	Expiry date
October 20, 2017	4,800	0.13	October 20, 2020
February 4, 2019	475,600	0.75	February 4, 2021
November 22, 2019	270,500	0.50	November 22, 2021
January 28, 2020	625,000	0.50	January 28, 2022
January 28, 2020	60,000	0.50	January 28, 2021
January 30, 2020	330,000	0.50	January 28, 2022
March 9, 2020	100,000	0.50	March 9, 2023
April 1, 2020	10,000	0.50	April 1, 2021
April 28, 2020	75,000	0.50	April 28, 2022
	1,950,900	0.56	

The Company recognized \$444,126 (2019: \$3,133,951) in share-based compensation in the nine months ended September 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 consolidation)
February 4, 2019	1.83%	110%	2	0.75
November 22, 2019	1.61%	109%	2	0.13
January 28, 2020	1.52%	125%	1	0.20
January 28, 2020	1.48%	149%	2	0.31
January 30, 2020	1.47%	149%	2	0.27
March 9, 2020	0.55%	152%	3	0.27
April 1, 2020	0.44%	159%	1	0.07
April 28, 2020	0.34%	150%	2	0.36

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

On January 14, 2019, the Company granted 600,000 stock options to directors and officers of the company, exercisable at \$0.7 for a period of five years. These options vest immediately on the date of grant.

On February 4, 2019, the Company granted 580,000 stock options to a consultant of the Company, exercisable at \$0.75 for a period of five years. 18% of the options vest on date of grant, with 12% of the options vesting ever quarter thereafter with the final quarter vesting the remaining 10%.

Eurolife Brands Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

As at and for the Three and Nine months Ended September 30, 2020

(Expressed in Canadian Dollars)

On February 6, 2019, the Company granted 55,000 stock options to consultants of the Company, exercisable at \$0.75 for a period of one year. 40% of the options vest on date of grant, with 20% of the options vesting every quarter thereafter.

On March 14, 2019, the Company granted 80,000 stock options to a consultant of the Company, exercisable at \$0.725 for a period of one year.

On March 27, 2019, the Company granted 400,000 stock options to directors and officers of the company, exercisable at \$0.69 for a period of five years. These options vest immediately on the date of grant.

On July 9, 2019, a total of 80,000 options stock options were granted to purchase common shares, exercisable on or before July 9, 2020, at an exercise price of \$0.51 per share.

On July 30, 2019, a total of 660,000 options stock options were granted to purchase common shares, exercisable on or before July 30, 2020, at an exercise price of \$0.5 per share.

On July 31, 2019, a total of 46,000 options stock options were granted to purchase common shares, exercisable on or before July 31, 2020, at an exercise price of \$0.7 per share.

On September 3, 2019, a total of 97500 options were granted to purchase common shares, exercisable on or before September 3, 2021, at an exercise price of \$1.10 per share. Of these 975,500 options granted, 375,000 options were cancelled on November 20, 2019 and 225,500 options were cancelled on November 26, 2019.

On September 24, 2019, a total of 10,000 options were granted to purchase common shares, exercisable on or before September 24, 2020, at an exercise price of \$1.05 per share. The options vest immediately on the date of grant.

On November 18, 2019, the Company granted 305,284 stock options to a consultant, exercisable at \$0.55 per share for a period of 2 years. The options vest immediately on the date of grant. These options were exercised in full on December 4, 2019.

On November 22, 2019, the Company granted 270,500 stock options to various consultants and a director of the Company exercisable at \$0.5 per share for a period of 2 years. The options vest immediately on the date of grant.

On January 28, 2020, the Company granted 685,000 stock options to certain directors, officers and consultants of the Company exercisable at \$0.5 per common share expiring 1-2 years from the date of grant.

On January 30, 2020, the Company granted 430,000 stock options to certain directors, officers and consultants of the Company exercisable at \$0.5 per common share expiring 2 years from the date of grant.

On March 9, 2020, the Company granted 200,000 stock options to certain consultants of the Company exercisable at \$0.5 per common share expiring 3 years from the date of grant.

On April 1, 2020, the Company granted 10,000 stock options to a consultant of the Company exercisable at \$0.5 per common share expiring 1 year from the date of grant.

On April 28, 2020, the Company granted 75,000 stock options to a consultant of the Company exercisable at \$0.5 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.

9. RELATED PARTY TRANSACTIONS

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

	September 30, 2020	December 31, 2019
Consulting and other fees	152,844	89,598
Stock-based compensation	62,478	226,727
	215,322	316,325

As at September 30, 2020, the CEO and related companies owed the Company \$99,985.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at September 30, 2020, the Company has total accounts payable and accrued liabilities of \$42,365 (December 31, 2019 - \$279,378). Such costs relate mainly to payables for work fees and general operating expenses.

11. 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 September 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.

EuroLife Brands Inc.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

As at and for the Three and Nine months Ended September 30, 2020

(Expressed in Canadian Dollars)

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.