

Wikileaf Technologies Inc.
Unaudited Interim Condensed
Consolidated Financial Statements
June 30, 2020

Unaudited Interim Condensed Consolidated
Interim Financial Statements

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Wikileaf Technologies Inc.

Consolidated Interim Statements of Financial Position

As at
(In Canadian dollars)
(Unaudited)

	June 30, 2020 \$	December 31, 2019 \$
ASSETS		
Current		
Cash	1,454,193	3,562,858
Government grant receivable	33,393	
Prepaid expenses	32,687	120,711
	<u>1,520,273</u>	<u>3,683,569</u>
Long-term		
Capital assets - net of depreciation	12,942	38,391
	<u>1,533,215</u>	<u>3,721,960</u>
LIABILITIES		
Current		
Trade and other payables (Note 6)	1,189,518	1,160,062
Advances from parent company, without interest	1,641,191	1,580,997
Notes payable to related parties (Note 8.2)	497,620	474,250
	<u>3,328,329</u>	<u>3,215,309</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 7)	14,770,456	14,770,456
Contributed surplus	2,073,444	1,947,920
Accumulated other comprehensive income (loss)	(101,162)	30,108
Deficit	<u>(18,537,852)</u>	<u>(16,241,833)</u>
	<u>(1,795,114)</u>	<u>506,651</u>
	<u>1,533,215</u>	<u>3,721,960</u>

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

On behalf of the Board,

/s/ Connor Cruise
Director

/s/ Manoj Hippola
Director

Wikileaf Technologies Inc.

Consolidated Interim Statements of Comprehensive Loss

Periods ended June 30,

(In Canadian dollars)

(Unaudited)

	Three months ended		Six months ended	
	2020	June 30, 2019	2020	June 30, 2019
	\$	\$	\$	\$
Revenue	8,074	390	21,898	390
Expenses				
Professional fees	440,686	368,916	782,354	916,467
Salaries and benefits	376,699	410,645	1,104,391	648,566
Share-based compensation	52,983	190,237	125,524	288,760
Insurance	33,212	2,818	65,566	5,628
Dues and subscriptions	17,968	6,240	30,954	10,932
Management fee (Note 8.1)	17,350	80,248	65,737	159,998
Rental expense	13,913	30,579	40,277	41,724
Marketing and entertainment	9,877	13,898	23,942	29,719
Office supplies	12,805	13,443	31,611	26,931
Depreciation of equipment	7,310	2,910	18,791	5,807
Interest on notes payable to related parties	5,386	7,936	11,971	15,823
Listing fees	4,237		8,136	
Bank charges	2,435	1,011	3,520	1,851
Licensing fees	409	7,921	2,651	12,857
Loss on disposition of capital assets	36		2,492	
Gain on disposition of subsidiary		(10,820)		(10,820)
Transaction costs		2,453,916		2,453,916
	995,306	3,579,898	2,317,917	4,608,159
Net loss	(987,232)	(3,579,508)	(2,296,019)	(4,607,769)
Items that will be reclassified subsequently to profit or loss				
Change in cumulative translation adjustments	105,481	(34,808)	(131,270)	90,814
Net comprehensive loss	(881,751)	(3,614,316)	(2,427,289)	(4,516,955)
Net loss per share				
Basic and diluted	(0.01)	(0.04)	(0.02)	(0.05)
Weighted average number of shares outstanding – basic and diluted	113,715,484	89,621,542	113,715,484	84,109,374

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

Wikileaf Technologies Inc.

Consolidated Interim Statements of Changes in Shareholders' Equity

For the six months ended June 30, 2020 and 2019

(In Canadian dollars)

(Unaudited)

	Common shares		Share capital		Preferred shares		Total amount	Contributed surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity (deficiency)
	Number	Amount	Number	Amount	Number	Amount					
		\$		\$		\$					
Balance as at December 31, 2019	113,715,484	14,770,456					14,770,456	1,947,920	30,108	(16,241,833)	506,651
Share-based compensation								125,524			125,524
Net loss										(2,296,019)	(2,296,019)
Exchange differences on translating foreign operations									(131,270)		(131,270)
Balance as at June 30, 2020	113,715,484	14,770,456	—	—	—	—	14,770,456	2,073,444	(101,162)	(18,537,852)	(1,795,114)
Balance as at December 31, 2018	4,438,334	1,248,106	537,333			4,459,520	5,707,626	367,860	(64,401)	(7,589,721)	(1,578,636)
Subscription receipts converted to common shares	537,333		(537,333)								
Transactions as part of the reverse takeover											
Capital reorganization split at 1:1.00489	24,295										
Issuance of common shares	94,999,522	6,959,501				(4,459,520)	2,499,981				2,499,981
Deemed issuance of stock options								216,000			216,000
Share-based compensation								288,760			288,760
Net loss										(4,607,769)	(4,607,769)
Exchange differences on translating foreign operations									90,814		90,814
Balance as at June 30, 2019	99,999,484	8,207,607	—	—	—	—	8,207,607	872,620	26,413	(12,197,490)	(3,090,850)

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

Wikileaf Technologies Inc.

Cash Flows

Periods ended June 30,

(In Canadian dollars)

(Unaudited)

	Three months ended		Six months ended	
	2020	June 30, 2019	2020	June 30, 2019
			\$	\$
OPERATING ACTIVITIES				
Net loss	(987,232)	(3,579,508)	(2,296,019)	(4,607,769)
Non-cash items				
Depreciation of equipment	7,310	2,910	18,791	5,807
Share-based compensation	52,983	190,237	125,524	288,760
Loss on disposition of equipment	36		2,492	
Gain on disposition of subsidiary		(10,820)		(10,820)
Transaction costs		2,453,916		2,453,916
Net change in working capital items	70,003	51,613	33,746	363,180
Net cash used in operating activities	(856,900)	(891,652)	(2,115,466)	(1,506,926)
INVESTING ACTIVITIES				
Purchase of equipment	(137)	(10,322)	(137)	(20,788)
Proceeds from disposal of equipment	70		4,649	
Cash acquired from reverse takeover		6,661		6,661
Cash from term deposit		300,000		300,000
Net cash from (used in) investing activities	(67)	296,339	4,512	285,873
FINANCING ACTIVITIES				
Advances from parent company		829,770		1,466,079
Net cash from financing activities		829,770		1,466,079
Net increase (decrease) in cash	(856,967)	234,457	(2,110,954)	245,026
Cash, beginning of period	2,321,588	230,410	3,562,858	220,435
Exchange difference on cash	(10,428)	925	2,289	331
Cash, end of period	1,454,193	465,792	1,454,193	465,792

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

Wikileaf Technologies Inc.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

(In Canadian dollars)

(Unaudited)

1. GOVERNING STATUTES, NATURE OF OPERATIONS AND CHANGE IN CORPORATE NAME

Wikileaf Technologies Inc. (hereafter "the Company") was incorporated under the British Columbia Business Corporations Act on April 3, 2018. The Company's head office is in Federal Way, Washington.

On May 14, 2019, the Company completed a business acquisition by acquiring 100% of the issued and outstanding shares of One Web Services, Inc. (hereafter "One Web"). The interim condensed consolidated financial statements as at June 30, 2020 consolidate the accounts of the Company and One Web. The balances and transactions presented for periods prior to May 14, 2019 are those of One Web.

With the completion of the acquisition, the Company together with One Web (together referred to as "the Group"), operate wikileaf.com, an online price comparison website, to help consumers find location-based pricing information about individual cannabis strains and products, which is the Group's only operating segment.

The Group's parent company is Nesta Holding Co. Ltd.

The Company is listed on the Canadian Securities Exchange (hereafter "CSE") under the ticker "WIKI".

2. GOING CONCERN ASSUMPTION

The accompanying consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), in particular on the assumption that the Group will continue as a going concern, meaning it will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

Since inception, the Group has incurred operating losses. As at June 30, 2020, the Group has a deficit of \$18,537,852. The Group has not yet completed its efforts to establish a stabilized source of revenue sufficient to cover operating expenses and relies on support from its shareholders to cover such expenses. Management anticipates that the Group will be dependent, for the foreseeable future, on the continued support from the shareholders to fund operating expenses. The Group intends to position itself so that it may be able to raise funds through the capital markets. However, there is no assurance that the Group will be successful in this or any of its endeavours or become financially viable and continue as a going concern. Consequently, these material uncertainties raise significant doubt regarding the Group's ability to continue as a going concern.

Wikileaf Technologies Inc.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

(In Canadian dollars)

(Unaudited)

2. GOING CONCERN ASSUMPTION (Continued)

The carrying amounts of assets, liabilities, revenues and expenses presented in the consolidated interim financial statements and the consolidated interim statements of consolidated financial position classification have not been adjusted as would be required if the going concern assumption were not appropriate.

3. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

These unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2020, were prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting using accounting policies adopted in the Group's most recent annual audited consolidated financial statements for the year ended December 31, 2019. They do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2019. Unless otherwise noted below, the Group has consistently applied the same accounting policies throughout all periods presented, as if these policies were always in effect.

Government grants

Government grants are recognized when they have been earned and there is reasonable assurance that the grant will be received. Government grants are recognized as a reduction of the related expenses. For the three and six month periods ended June 30, 2020, government grants in the amount of \$43,748 were reduced from salaries and benefits in operating expenses.

These interim consolidated financial statements were approved and authorized for issue by the Board of Directors on August 31, 2020.

These interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company.

4. NEW OR REVISED ACCOUNTING STANDARDS

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorization of these interim consolidated financial statements, several new, but not yet effective, standards, amendments to existing standards and interpretations have been published by the International Accounting Standards Board (hereafter "the IASB"). None of these standards, amendments or interpretations have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements.

Wikileaf Technologies Inc.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

(In Canadian dollars)

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5. ESTIMATES

When preparing the interim consolidated financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expense. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim consolidated financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group's last annual audited consolidated financial statements for the year ended December 31, 2019. The only exception is the estimate of income tax liabilities which is determined in the interim consolidated financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

6. TRADE AND OTHER PAYABLES

	June 30, 2020	December 31, 2019
	\$	\$
Trade accounts payable	93,820	65,874
Management fee payable to the parent company (Note 8.1)	892,192	857,732
Interest on notes payable to related parties (Note 8.2)	165,398	146,240
Vacation accrual	38,108	90,216
	<u>1,189,518</u>	<u>1,160,062</u>

7. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common shares, voting, participating and without par value

	June 30, 2020	December 31, 2019
	\$	\$
Issued and fully paid		
113,715,484 common shares	<u>14,770,456</u>	<u>14,770,456</u>

The consolidated statements of changes in equity presents the dollar amounts of One Web's equity as of June 30, 2019, with the issued and outstanding shares of the Company.

Wikileaf Technologies Inc.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

(In Canadian dollars)

(Unaudited)

7. SHARE CAPITAL (Continued)

Stock options

The following table summarizes information related to stock options:

	<u>Number of options</u>
Stock options on January 1, 2020	13,960,356
Issuance of stock options	3,210,000
Forfeited stock options	<u>(3,431,281)</u>
Stock options on June 30, 2020	<u>13,739,075</u>

On January 13, 2020, the Company granted to its CEO 1,000,000 stock options, at an exercise price of \$0.12 per share and maturing in 10 years from the date of issuance. The stock options vest 25% at their one year anniversary date and the remaining 75% on December 31, 2021 based upon financial measures of the Company. The fair value of options granted has been estimated at \$74,951 using the Black-Scholes option pricing model with the assumptions in the table below. On June 12, 2020, the CEO departed from the Company and as a result the options were forfeited.

On January 16, 2020, the Company granted 1,500,000 stock options, at an exercise price of \$0.12 per share and maturing in 10 years from the date of issuance. The stock options vest one-third at the date of the grant, one-third at the one-year anniversary date of the grant and the remaining one-third over the 24 months thereafter. These options were granted in replacement of the 2,943,755 stock options cancelled, in 2019. The fair value of the newly granted stock options is lower than the incremental fair value of the unvested stock options which were cancelled in 2019 and, as a result, no additional expense will be accounted for.

On May 11, 2020, the Company granted 710,000 stock options to its employees, at an exercise price of \$0.12 per share and maturing in 10 years from the date of issuance. 125,000 of the stock options vest immediately. 210,000 of the stock options vest one third on the first anniversary date and then in equal monthly tranches over the following three years. The remaining 375,000 stock options vest one quarter on the one-year anniversary date and then in equal monthly tranches over the following four years. The fair value of options granted in the period has been estimated at \$26,470 using the Black-Scholes option pricing model with the assumptions in the table below. During the period ending June 30, 2020, 450,000 of the stock options were forfeited before any vesting.

On May 17, 2019 and June 17, 2019, the Company granted 4,037,250 stock options to employees and consultants at an exercise price of \$0.50 per share and maturing in 10 years from the date of issuance. One third of the options vest at a specific date within one year of their issuance and the remaining vest in equal monthly tranches over the remaining three years. The fair value of the options granted has been estimated at \$1,284,625 using the Black-Scholes option pricing model with the assumptions in the table below.

Wikileaf Technologies Inc.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

(In Canadian dollars)

(Unaudited)

7. SHARE CAPITAL (Continued)

The fair value of options granted during the three and six months ended June 30, 2020 has been estimated at \$31,130 and \$184,654 respectively (\$1,179,626 and nil for 2019) using the Black-Scholes option pricing model with the following assumptions:

	2020			2019
Number of stock options granted	710,000	1,500,000	1,000,000	4,037,250
Exercise price (\$)	0.12	0.12	0.12	0.5
Expected option life	5 years	5 years	5 years	5 years
Expected volatility	79.04%	75.10%	76.70%	70.00%
Risk-free interest rate	1.50%	1.55%	1.61%	1.69%
Expected dividend yield	Nil	Nil	Nil	Nil
Fair value of stock options granted (\$)	26,470	83,233	74,951	1,179,626
Fair value of stock options granted per option (\$)	0.04	0.06	0.07	0.29

8. RELATED PARTY TRANSACTIONS

8.1 Transactions with the parent company

The Group entered into a related party transaction with its parent company. The arrangement required the Group to pay a fee of US\$60,000 (US\$60,000 in 2019) per quarter for management services rendered. For the management fees of February 2020, the Group negotiated a reduced fee of US\$12,000 for one month. Then, as of March 1, 2020, the previous arrangement was terminated and a new arrangement was entered into, requiring the Group to pay a fee of \$5,000 per month for management services rendered. As at June 30, 2020, there is an amount of US\$640,000 (US\$660,000 as at December 31, 2019) of management fees accrued. The amount included in management fee expense for the three month and six month periods ended June 30, 2020 is of \$15,000 (US\$60,000 in 2019) and \$63,387 (US\$32,000 and \$20,000) (US\$120,000 in 2019) respectively.

8.2 Notes payable to related parties

Unsecured promissory notes and advances were issued to the parent company and a company exercising significant influence over the Group.

As at June 30, 2020, the outstanding balance of notes payable to the parent company is \$497,620 (US\$365,145) (\$474,250 (US\$365,145) as at December 31, 2019). The notes bear interest at prime rate plus 1% (4.25%; 5.75% as at December 31, 2019).

Wikileaf Technologies Inc.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

(In Canadian dollars)

(Unaudited)

8. RELATED PARTY TRANSACTIONS (Continued)

8.2 Notes payable to related parties (Continued)

As at June 30, 2020, there is \$165,398 (US\$121,366) of interest payable accrued from the notes (\$146,240 (US\$112,596) as at December 31, 2019) of which \$102,662 (\$US75,331) is payable to the parent company and \$62,736 (US\$46,035) is payable to the company exercising significant influence (\$86,450 (US\$66,561) and \$59,790 (US\$46,035) as at December 31, 2019, respectively). For the three and six months periods ending June 30, 2020 there is an amount of \$5,386 (US\$4,896) (\$7,936 (US\$5,934) in 2019) and \$11,971 (US\$8,770) (\$15,823 (US\$11,867) in 2019) included in expenses.

The notes payable to the parent company and related interest, as well as the advances from the parent company for operations, are all due upon demand. The management fees are due as the services are rendered and at the latest upon a change of control of the Group. The parent company has provided an acknowledgement that it will not seek repayment of any of these amounts until the Group has revenue of \$2,500,000 or on the occurrence of a significant financing of over \$5,000,000 or by conversion of these amounts into common shares at the then applicable trading price of the shares on the CSE, at the discretion of the parent company.

9. FINANCIAL RISKS

Risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The Group's only financial asset is cash, which is classified at amortized cost.

The Group's financial liabilities are trade and other payables, advances from parent company and notes payable to related parties. Financial liabilities are measured subsequently at amortized cost using the effective interest method.

The main types of risks are interest rate risk, credit risk, liquidity risk and foreign exchange risk.

The Group does not actively engage in the trading of financial assets for speculative purposes.

Interest rate risk

The Group has notes payable from its parent company subject to variable interest rates.

Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is subject to credit risk due to its cash. The credit risk is considered negligible since the counterparties are reputable financial institutions with high quality external ratings.

Wikileaf Technologies Inc.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

(In Canadian dollars)

(Unaudited)

9. FINANCIAL RISKS (Continued)

Liquidity risk

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by forecasting cash inflows and outflows due in day-to-day business.

The Group's objective is to maintain cash to meet its liquidity requirements on a monthly basis.

The Group considers expected cash flows in assessing and managing liquidity risk, in particular its cash resources.

Foreign exchange risk

The majority of the Group's cash are in Canadian dollars, however some expenses are settled in U.S. dollars. Currency risk results from the Group's expenses denominated in U.S. dollars.

10. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

The capital structure of the Group consists of cash, advance from parent company and notes payable to related parties and equity (deficiency). A summary of the Group's capital structure is as follows:

	June 30, 2020	December 31, 2019
	\$	\$
Cash	<u>1,454,193</u>	<u>3,562,858</u>
Advance from parent company, without interest	1,641,191	1,580,997
Notes payable to related parties	497,620	474,250
Total equity (deficiency)	<u>(1,795,114)</u>	<u>506,651</u>
	<u>343,697</u>	<u>(571,245)</u>

The Group manages its capital structure in accordance with its expected business growth, operational objectives, underlying industry, and market and economic conditions. Consequently, the Group will develop a plan influenced by its capital structure to be presented and approved by the Board of Directors. The plan may include issuance of shares or debt.

Wikileaf Technologies Inc.

Notes to Interim Condensed Consolidated Financial Statements

June 30, 2020

(In Canadian dollars)

(Unaudited)

11. IMPACTS RESULTING FROM THE COVID-19 PANDEMIC

In March 2020, the decree of a COVID-19 state of pandemic and the numerous measures put in place by the federal, provincial and municipal governments to protect the public had impacts on the Group's operations. However due to the online nature of the Group's operations, the business was still able to operate. As a result of additional losses due to the pandemic, the Canadian federal government granted the Group a wage subsidy of \$43,748 for the period ended June 30, 2020. This crisis may cause significant changes to the assets or liabilities in the coming year or have a significant impact on future operations.

12. POST-REPORTING DATE EVENTS

Subsequent to period-end the following events occurred:

- On July 6, 2020, the Company issued 1,750,000 restricted-stock-units to directors of the Company.
- On July 20, 2020, the Company issued 425,000 stock options to acquire common shares at an exercise price of \$0.10 per option.