

*A copy of this preliminary prospectus has been filed with the securities regulatory authorities in each of the Provinces of British Columbia, Alberta and Ontario (the “**Qualifying Jurisdictions**”) but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.*

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

*The securities qualified for distribution by this prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or the securities laws of any state of the United States of America, its territories, possessions or the District of Columbia (the “**United States**”), and may not be offered, sold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the U.S. Securities Act) unless exemptions from the registration requirements of the U.S. Securities Act and any applicable state securities laws are available. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States or to, or for the account or benefit of, any U.S. person. See: “Plan of Distribution”.*

PRELIMINARY PROSPECTUS

Initial Public Offering

December 13, 2019

NEW LEAF VENTURES INC.

20,000,000 Units
\$0.25 per Unit

This prospectus is being filed by New Leaf Ventures Inc. (the “**Corporation**”) to qualify the distribution (the “**Offering**”) of 20,000,000 units (the “**Units**”) at a price of \$0.25 per Unit (the “**Offering Price**”), for aggregate gross proceeds of \$5,000,000. The Units will be offered pursuant to an agency agreement (the “**Agency Agreement**”) between the Corporation and Mackie Research Capital Corporation (the “**Agent**”) to be entered into in connection with the Offering. The Offering will be made to purchasers residing in the Qualifying Jurisdictions. Each Unit will consist of one Common Share (as defined herein) (each, a “**Unit Share**”) and one-half of one common share purchase warrant (each whole warrant, a “**Warrant**”) with each Warrant entitling the holder thereof, subject to the terms and conditions of the Warrant Indenture (as defined herein), to purchase one Common Share (each, a “**Warrant Share**”), at a price of \$0.40 per Warrant Share until the Expiry Date (as defined herein). The Warrants will be subject to an Early Expiry Date (as defined herein) if the closing price of the Common Shares on the CSE (as defined herein) or any equivalent exchange is equal to or greater than \$0.60 per Common Share for a period of ten (10) consecutive trading days (the “**Early Expiry Event**”).

The Agent has agreed to conditionally offer the Units on a “best efforts” basis, subject to prior sale, if, as and when issued by the Corporation and accepted by the Agent in accordance with the conditions in the Agency Agreement.

	<u>Price to the Public⁽¹⁾</u>	<u>Agent's Fee⁽²⁾⁽³⁾</u>	<u>Net Proceeds to the Corporation⁽⁴⁾</u>
Per Unit	\$0.25	\$0.02	\$0.23
Total Offering ⁽⁵⁾	\$5,000,000	\$400,000	\$4,600,000

Notes:

- (1) The Offering Price was determined by arm's length negotiation between the Corporation and the Agent.
- (2) Pursuant to the terms of the Agency Agreement, the Corporation has agreed to pay the Agent a cash fee (the "**Agent's Commission**") equal to 8.0% of the aggregate gross proceeds of the Offering in respect of purchasers of Units, provided that the amount of the cash fee payable in connection with gross proceeds received from purchasers of Units on the president's list of the Corporation (the "**President's List**") is 2.0%. As an additional compensation, the Corporation has also agreed to: (a) pay the Agent a corporate finance fee equal to \$30,000 (plus GST) (the "**Agent's Fee**"); and (b) issue to the Agent such number of non-transferrable share purchase warrants (the "**Agent Warrants**") as is equal to 8.0% of the number of Units sold pursuant to the Offering, provided that the number of Agent Warrants issuable in connection Units sold to purchasers on the President's List is equal to 4.0% of the number of Units sold to such purchasers. Each Agent Warrant will be exercisable into one Unit (an "**Agent Unit**") at an exercise price of \$0.25 until the Expiry Date, subject to an Early Expiry Date upon the occurrence of an Early Expiry Event. Each Agent Unit will consist of one Common Share and one-half of one common share purchase warrant (each whole warrant, an "**Agent Unit Warrant**"). Each Agent Unit Warrant will entitle the holder thereof to purchase an additional Common Share on the same terms and conditions as the Warrants.
- (3) Assumes no Units are sold to purchasers on the President's List.
- (4) After deducting the Agent's Commission and the Agent's Fee, but before deducting payment of the expenses of the Corporation in connection with the Offering and the preparation and filing of this prospectus (estimated to be approximately \$400,000). See: "*Use of Available Funds*".
- (5) The Corporation has granted to the Agent an option (the "**Over-Allotment Option**"), exercisable in whole or in part for a period of 30 days from and including the date of the Closing (defined below), to purchase up to an additional 15% of the Units, being 3,000,000 Units (the "**Additional Units**") on the same terms as set forth above to cover over-allotments, if any. This prospectus qualifies the grant of the Over-Allotment Option and the issuance of Additional Units on the exercise of the Over-Allotment Option. A purchaser who acquires Additional Units forming part of the Agent's over-allocation position acquires those Additional Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. Unless the context requires otherwise, all references herein to the "Units" include the Additional Units. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Agent's Fee" and "Net Proceeds" to the Corporation will be \$5,750,000, \$460,000 and \$5,290,000 (before estimated expenses of \$400,000), respectively. See "Plan of Distribution."

The following table sets out the number of securities that may be issued by the Corporation to the Agent:

<u>Agent's Position</u>	<u>Maximum Number of Securities Available⁽¹⁾ (2)(3)</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Agent Warrants ⁽¹⁾	1,600,000 Agent Units (1,600,000 Common Shares and 800,000 Agent Unit Warrants)	24 months following the Closing Date	\$0.25
Agent Unit Warrants.....	800,000 Common Shares	24 months following the Closing Date (subject to an Early Expiry Event)	\$0.40
Total	2,400,000		

Note:

- (1) This prospectus qualifies the distribution of the Agent Warrants.
- (2) Assumes that no Units are sold to purchasers on the President's List.
- (3) If the Over-Allotment Option is exercised in full, the total "Agent Units" and "Agent Unit Warrants" will be 1,840,000 and 920,000, respectively. This prospectus qualifies the grant of the Over-Allotment Option and the distribution of any Additional Units issued pursuant to the exercise of the Over-Allotment Option.

Subscriptions for Units will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. It is expected that the closing of the Offering (the "**Closing**") will take place on or about [●], 2019 or on such other date as the Corporation and the Agent may agree (the "**Closing Date**"). Pending the Closing, all subscription funds in respect of the Offering will be deposited and held by the Agent in trust pursuant to the terms and conditions of the Agency Agreement. The Closing is subject to satisfaction of the terms and conditions of the Agency Agreement, including, among other things, satisfaction or waiver of the following closing conditions (the "**Closing Conditions**") on or prior to the Closing Date:

- (i) the Corporation obtaining a final receipt for the prospectus from the securities regulatory authorities in each of the Qualifying Jurisdictions;
- (ii) the satisfaction or waiver of all conditions precedent to the Acquisition Transaction (as defined herein) in accordance with the definitive agreement(s) governing such transaction and to the satisfaction of the Agent; and
- (iii) the receipt of all required shareholder and regulatory approvals in connection with the Liquidity Event (as defined herein), including, without limitation, the conditional approval of the CSE for the listing of the Common Shares and the relevant listing documents having been accepted for filing with the CSE.

If the Closing Date does not occur within 90 days from the date a receipt is issued for the final prospectus or such other time as may be permitted by applicable securities legislation and consented to by persons or companies who subscribed within that period and the Agent, the Offering will be discontinued and all subscription monies will be returned to subscribers without interest, set-off or deduction. Notwithstanding the foregoing, the total period of the Offering must not end more than 180 days from the date of the initial receipt for the final prospectus.

Other than pursuant to certain exceptions, it is anticipated that CDS Clearing and Depository Services Inc. ("**CDS**"), or its nominee, will be made the registered holder of the Units offered under this prospectus, electronically through the non-certificated inventory ("**NCI**") system of CDS. Units registered to CDS or its nominee will be deposited electronically with CDS on an NCI basis on the Closing Date. A purchaser of Units (other than in limited circumstances) will receive only a customer confirmation from the registered dealer through which the Units are purchased. See "*Plan of Distribution*".

There is currently no market through which any of the securities being distributed under this prospectus may be sold and purchasers may not be able to resell securities distributed hereunder. This may affect the pricing of such securities in the secondary market, the transparency and availability of trading prices, the liquidity of such securities, and the extent of issuer regulation. Until and unless a receipt for the final long form prospectus is obtained from the securities regulatory authorities in each of the Qualifying Jurisdictions, securities issued in connection with the Offering that remain outstanding will be subject to relevant hold periods under applicable securities legislation. See: "*Risk Factors*" and "*Forward-Looking Statements*".

As of the date of this prospectus, the Corporation does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace or a marketplace outside Canada and the United States.

Concurrently with the filing of this prospectus, the Corporation intends to apply to list the Common Shares on the Canadian Securities Exchange (“CSE”); however, as of the date of this prospectus, the Corporation has not applied for nor received conditional approval from the CSE for such a listing. Listing will be subject to the Corporation fulfilling all of the requirements of the CSE, including meeting all minimum listing requirements, which cannot be guaranteed.

Certain legal matters in connection with the Offering and this prospectus have been, or will be, reviewed on behalf of the Corporation by Cassels Brock & Blackwell LLP and on behalf of the Agent by Vantage Law Corporation.

Mr. Robert Colwell and Mr. Boris Gorodnitsky, proposed executive officers of the New Leaf USA following completion of the Acquisition Transaction, and Mr. Lee White, proposed director of the Corporation following completion of the Acquisition Transaction, reside outside of Canada and will be providing a certificate under Part 5 of National Instrument 41-101 – *General Prospectus Requirements*. Messrs. Colwell, Gorodnitsky and White have appointed Victoria Corporate Records Ltd. located at 4529 Melrose St., Port Alberni, British Columbia V9Y 1K7, as their agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

The Corporation’s head office and registered office is located at 2200 HSBC Building, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

An investment in securities of the Corporation is speculative and involves a high degree of risk, including the nature and stage of development of the business of the Corporation and the current state of the regulatory environment for cannabis legalization in Canada and the United States. An investment in securities of the Corporation should only be made by persons who can afford a significant or total loss of their investment. The Corporation has no history of earnings. The risk factors included in this prospectus should be reviewed carefully. See: “Forward-Looking Statements” and “Risk Factors”.

The Corporation is neither a “connected issuer” nor a “related issuer” of the Agent, as defined in National Instrument 33-105 – *Underwriting Conflicts*.

The Units may be sold only in those jurisdictions where offers and sales are permitted. This prospectus is not an offer to sell, or a solicitation of an offer to buy, the Units in any jurisdiction where it is unlawful. The information contained in this prospectus is accurate only as of the date hereof, regardless of the time of delivery of this prospectus or of any sale of the Units. Readers should rely only on the information contained in this prospectus. The Corporation has not authorized any person to provide different information.

This prospectus qualifies the distribution of securities of an entity that is expected to derive most of its revenues from ancillary involvement with the U.S. cannabis industry. Following completion of the Acquisition Transaction, the Corporation, through the New Leaf USA Entities (as defined herein), will offer consulting services, real property, intellectual property, equipment for lease and enhanced ancillary services to an entity involved in the U.S. cannabis industry. This industry is illegal under U.S. Federal Law. Neither the Corporation nor the New Leaf USA Entities are directly or indirectly engaged in the manufacture, importation, possession, use, sale or distribution of cannabis. The Corporation has not applied for, and does not have any intention to apply for, any retailer, grower, producer, dealer, processor or wholesaler licenses which would allow the Corporation to directly participate in the cannabis marketplace in certain U.S. states which have legalized such activity.

Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, including the State of Washington,

under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the Controlled Substances Act (the “CSA”). An investor’s contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

Almost half of the states in the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol (“THC”) levels, while other states have regulated the sale and use of medical cannabis with strict limits on of THC levels. Notwithstanding the permissive regulatory environment of adult-use recreational and medical cannabis at the state level, cannabis continues to be categorized as a Schedule I controlled substance under the CSA in the United States and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Corporation of liability under United States federal law, nor provide a defense to any federal proceeding which may be brought against the Corporation. Any such proceedings brought against the Corporation may adversely affect the Corporation’s operations and financial performance.

As a result of the conflicting views between state legislatures and the federal government of the United States regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is substantial risk that federal authorities may enforce current federal law, which may adversely affect the current and future business and investments of the Corporation in the United States. As such, there are a number of risks associated with the Corporation’s existing and future business and investments in the United States.

For the reasons set forth above, the Corporation’s interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada.

It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS, refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada’s central securities depository, clearing and settlement hub, settling trades in the Canadian equity, fixed income and money markets. The TMX Group, owner and operator of CDS subsequently issued a statement on August 17, 2017 reaffirming there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S.; this is despite media reports to the contrary, and that they were working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. On November 24, 2017, the TMX Group issued a further statement acknowledging the matter is complex and touches multiple aspects of Canada’s capital market system and, as such, requires close examination and careful consideration. The TMX Group noted that CDS continues to work with regulators and exchanges to arrive at a solution that will clarify this matter for issuers, investors, participants and the public. This solution will be founded on each exchange’s role in applying listing requirements, including exchange rules related to issuers’ compliance with applicable laws. In the interim, the TMX Group reiterated there is no CDS ban on the clearing of securities of issuers with marijuana-related activities in the U.S. On February 8, 2018, CDS signed a memorandum of understanding (the “CDS MOU”) with the Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange (collectively, the “Exchanges”). The CDS MOU outlines CDS’ and the Exchanges’ understanding of Canada’s regulatory framework applicable to the rules and procedures and regulatory oversight of the Exchanges and CDS. The CDS MOU confirms, with respect to the clearing of listed securities, that CDS relies on the Exchanges to review the conduct of listed issuers. As a result, there is currently no CDS ban on the clearing of securities of issuers with

ancillary and marijuana-related activities in the U.S. However, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Corporation, it would have a material adverse effect on the ability of holders of Common Shares to make trades. In particular, the Common Shares would become highly illiquid as investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange.

There are a number of risks associated with the business of the Corporation. See: "*Risk Factors*".

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS.....	1	MANDATE AND RESPONSIBILITIES OF THE	
GLOSSARY.....	6	AUDIT COMMITTEE.....	81
GENERAL MATTERS.....	14	AUDIT COMMITTEE OVERSIGHT.....	81
MARKETING MATERIALS.....	14	RELIANCE ON CERTAIN EXEMPTIONS.....	81
MARKET RESEARCH AND PUBLIC DATA.....	14	PRE-APPROVAL POLICIES AND PROCEDURES.....	81
PRESENTATION CURRENCY.....	15	EXTERNAL AUDITOR SERVICE FEES (BY	
FINANCIAL STATEMENT PRESENTATION IN THIS		CATEGORY).....	82
PROSPECTUS.....	15	CORPORATE GOVERNANCE.....	82
EXCHANGE RATE INFORMATION.....	16	BOARD OF DIRECTORS.....	82
TRADEMARKS AND TRADE NAMES.....	16	DIRECTORSHIPS.....	82
PROSPECTUS SUMMARY.....	16	ORIENTATION AND CONTINUING EDUCATION.....	83
CORPORATE STRUCTURE.....	25	ETHICAL BUSINESS CONDUCT.....	83
DESCRIPTION OF THE BUSINESS.....	26	NOMINATION OF DIRECTORS.....	83
CORPORATION HISTORY.....	26	COMPENSATION.....	83
FINANCINGS AND TRANSACTIONS.....	26	OTHER BOARD COMMITTEES.....	84
ACQUISITION TRANSACTION.....	26	ASSESSMENTS.....	84
BUSINESS OF THE CORPORATION POST-		RISK FACTORS.....	84
ACQUISITION TRANSACTION.....	27	RISKS RELATED TO THE CORPORATION.....	84
PRINCIPAL PRODUCTS, SERVICES, MARKETS		RISK FACTORS SPECIFICALLY RELATED TO	
AND DISTRIBUTION.....	29	THE UNITED STATES REGULATORY SYSTEM.....	92
EMPLOYEES, SPECIALIZED SKILL AND		RISKS RELATED TO THE CORPORATION'S	
KNOWLEDGE.....	30	SECURITIES AND THE OFFERING.....	103
COMPETITIVE CONDITIONS.....	31	PROMOTERS.....	105
ECONOMIC DEPENDENCE.....	32	LEGAL PROCEEDINGS AND REGULATORY ACTIONS	
PROPRIETARY PROTECTION.....	33	MATTERS.....	106
FOREIGN OPERATIONS.....	33	LEGAL PROCEEDINGS.....	106
BANKRUPTCY AND SIMILAR PROCEDURES.....	33	REGULATORY ACTIONS.....	106
CONSOLIDATED CAPITALIZATION.....	46	INTERESTS OF MANAGEMENT AND OTHERS IN	
USE OF AVAILABLE FUNDS.....	47	MATERIAL TRANSACTIONS.....	106
PROCEEDS AND FUNDS AVAILABLE.....	47	ELIGIBILITY FOR INVESTMENT.....	106
BUSINESS OBJECTIVES AND MILESTONES.....	48	AUDITORS, TRANSFER AGENT AND REGISTRAR.....	107
OTHER SOURCES OF FUNDING.....	50	AUDITORS.....	107
DIVIDEND POLICY.....	50	TRANSFER AGENT AND REGISTRAR.....	107
SUMMARY OF FINANCIAL INFORMATION.....	50	STATUTORY RIGHTS OF WITHDRAWAL AND	
DESCRIPTION OF SECURITIES BEING DISTRIBUTED.....	51	RESCISSION.....	107
COMMON SHARES.....	51	MATERIAL CONTRACTS.....	107
WARRANTS.....	52	EXPERTS.....	108
OPTIONS TO PURCHASE COMMON SHARES.....	53	OTHER MATERIAL FACTS.....	108
PRIOR SALES.....	57	SCHEDULE "A" CORPORATION FINANCIAL	
TRADING PRICE AND VOLUME.....	57	STATEMENTS AND MD&A.....	A-1
ESCROWED SECURITIES AND SECURITIES SUBJECT		SCHEDULE "B" LICENSE HOLDER FINANCIAL	
TO CONTRACTUAL RESTRICTION ON TRANSFER.....	57	STATEMENTS AND MD&A.....	B-1
PRINCIPAL SHAREHOLDERS.....	58	SCHEDULE "C" NEW LEAF USA FINANCIAL	
DIRECTORS AND OFFICERS.....	59	STATEMENTS.....	C-1
EXECUTIVE COMPENSATION.....	65	SCHEDULE "D" AUDIT COMMITTEE CHARTER.....	D-1
COMPENSATION DISCUSSION AND ANALYSIS.....	65	CERTIFICATE OF THE CORPORATION.....	C-I
COMPENSATION OF DIRECTORS.....	65	CERTIFICATE OF PROMOTER.....	C-II
EMPLOYMENT, CONSULTING, AND		CERTIFICATE OF THE AGENT.....	C-III
MANAGEMENT AGREEMENTS.....	66		
TERMINATION AND CHANGE OF CONTROL			
BENEFITS.....	66		
PENSION PLAN BENEFITS.....	69		
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE			
OFFICERS.....	69		
PLAN OF DISTRIBUTION.....	69		
THE UNITS.....	69		
LISTING APPLICATION.....	71		
CERTAIN CANADIAN FEDERAL INCOME TAX			
CONSIDERATIONS.....	71		
AUDIT COMMITTEE.....	80		
AUDIT COMMITTEE CHARTER.....	80		
COMPOSITION OF THE AUDIT COMMITTEE.....	80		
RELEVANT EDUCATION AND EXPERIENCE.....	81		

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements or information (collectively “**forward-looking statements**”) based on current expectations, estimates, forecasts, projections, beliefs and assumptions made by management of the Corporation about the industry in which it operates. Such statements include, in particular, statements about the Corporation’s plans, strategies and prospects under the headings “Summary”, “Risk Factors”, and “Management’s Discussion and Analysis”. Words such as “expect”, “anticipate”, “intend”, “plan”, “believe”, “seek”, “estimate”, and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. The Corporation does not intend, and disclaims any obligation, to update any forward-looking statements after it files this prospectus, whether as a result of new information, future events or otherwise, except as required by the securities laws. These forward-looking statements are made as of the date of this prospectus.

In some cases, these forward-looking statements can be identified by words or phrases such as “may”, “might”, “will”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “indicate”, “seek”, “believe”, “predict” or “likely”, or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Corporation has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the intention to complete the listing of the Common Shares on the CSE and all transactions related thereto, and the completion and timing of the listing;
- the completion and timing of closing of the Acquisition Transaction;
- the Corporation’s expectations regarding its revenue, expenses and operations;
- the Corporation’s anticipated cash needs and its needs for additional financing;
- the Corporation’s intention to grow the business and its operations;
- expectations with respect to future production costs and capacity;
- the grant and impact of any license or supplemental license to conduct activities with marijuana or any amendments thereof;
- the Corporation’s competitive position and the regulatory environment in which the Corporation operates following the Acquisition Transaction;
- the Corporation’s expectation that revenues derived from its operations will be sufficient to cover its expenses during 2019 and over the next twelve months;
- the Corporation’s expected business objectives and milestones for the next twelve months;
- the use of proceeds from the Offering, including the objectives and milestones described herein;
- the Closing Date;
- the satisfaction of the Closing Conditions and the timing thereof;

- the entering into of the Agency Agreement and the Warrant Indenture (as defined herein);
- the costs associated with the Offering and the Acquisition Transaction;
- the Corporation's ability to obtain additional funds through the sale of equity or debt commitments;
- the legalization and regulatory control of cannabis for recreational use in jurisdictions outside of the State of Washington and the Corporation's opportunities for expansion into such jurisdictions;
- the intentions of the Board (as defined herein) with respect to executive compensation plans and corporate governance plans described herein;
- the composition of the board and management following completion of the Acquisition Transaction; and
- the impact of the Acquisition Transaction on the business and operations, financial condition, access to capital and overall strategy of the Corporation.

Certain of the forward-looking statements, forward-looking information and other information contained in this prospectus concerning our industry and the markets in which we will operate following completion of the Acquisition Transaction, including our general expectations and market position, market opportunities and market share, is based on estimates prepared by the Corporation using data from publicly available governmental sources, as well as from market research and industry analysis, and on assumptions based on data and knowledge of this industry which the Corporation believes to be reasonable. While the Corporation is not aware of any misstatement regarding any industry or government data presented herein, the cannabis industry involves risks and uncertainties that are subject to change based on various factors and the Corporation has not independently verified such third-party information.

Forward-looking statements are based on certain assumptions and analyses made by the Corporation in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward looking statements included in this prospectus, the Corporation has made various material assumptions, including but not limited to: (i) obtaining the necessary regulatory approvals; (ii) that regulatory requirements will be maintained; (iii) general business, economic and political conditions; (iv) the Corporation's ability to successfully execute its plans and intentions, including, without limitation, completing the Acquisition Transaction, Closing the Offering, satisfying the Closing Conditions, obtaining a final receipt for the prospectus and listing the Common Shares on the CSE; (v) the availability of financing on reasonable terms; (vi) the Corporation's ability to attract and retain skilled staff; (vii) market competition; (viii) the products and technology offered by the Corporation's competitors; (ix) that good relationships with service providers and other third parties will be established and maintained; (x) continued growth of the cannabis industry; (xi) continued favourable law enforcement posture under the laws of the State of Washington and the federal laws of the United States; (xi) the License Holder's (as defined herein) ability to maintain and renew its license or supplemental license to conduct activities with marijuana; and (xii) continued favourable public opinion with respect to the cannabis industry. Although the Corporation believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Corporation cannot assure that actual results will be consistent with these forward-looking statements. Whether actual results, performance or achievements will conform to the Corporation's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risk Factors", which include:

- the Corporation has no operating history;
- uncertainty about the Corporation's ability to continue as a going concern;

- the Corporation has negative cash flow for the period ending September 30, 2019;
- the Corporation's actual financial position and results of operations may differ materially from the expectations of management;
- the Corporation expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;
- there are factors which may prevent the Corporation from the realization of growth targets;
- the Corporation is subject to changes in Canadian laws, regulations and guidelines, which could adversely affect the Corporation's future business, financial condition and results of operations;
- the Corporation is subject to changes in laws in the State of Washington and the federal laws of the United States, which could adversely affect the Corporation's future business, financial condition and results of operations;
- there is no assurance that the Corporation will turn a profit or generate revenues;
- the Corporation may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- the Corporation may be unable to adequately protect its proprietary and intellectual property rights;
- the Corporation may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Corporation relating to intellectual property rights;
- the Corporation may become subject to litigation, which may have a material adverse effect on the Corporation's reputation, business, results from operations and financial condition;
- the Corporation will face competition from other companies, where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business;
- if the Corporation is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- failure to successfully integrate acquired businesses, its products and other assets into the Corporation, or if integrated, failure to further the Corporation's business strategy, may result in the Corporation's inability to realize any benefit from such acquisition;
- the size of the Corporation's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data;
- the Corporation's industry is experiencing rapid growth and consolidation that may cause the Corporation to lose key relationships and intensify competition;
- the Corporation will continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders;
- risk of high bonding and insurance costs;

- following completion of the Acquisition Transaction, the Corporation will be reliant on a single location. Adverse changes affecting the Facility could materially affect the Corporation's plans;
- failure to complete the Acquisition Transaction;
- failure to realize the anticipated benefits of the Acquisition Transaction;
- failure to satisfy the Closing Conditions;
- failure to complete the Offering;
- the Corporation does not anticipate the ability to immediately diversify its business;
- the Corporation will be reliant on the License Holder and will be reliant on the business of the License Holder, including, without limitation, the ability of the License Holder to fulfill its obligations under the terms of its contracts with the Corporation;
- the Corporation may face significant competition from other facilities;
- risk of assets seizure in connection with certain unpaid taxes of the License Holder;
- the Corporation could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Corporation;
- the Corporation will be reliant on information technology systems, and may be subject to damaging cyberattacks;
- the Corporation may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws;
- the Corporation's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- unfavourable publicity and consumer perception;
- in certain circumstances, the Corporation's reputation could be damaged;
- the Corporation will be operating at a regulatory frontier. The cannabis industry is a new industry that may not succeed and, as a result of the Corporation's ancillary involvement in such industry, the Corporation's business may suffer;
- the Corporation may not be able to obtain all necessary licenses and permits or complete construction of its facilities timely, which could, among other things, delay or prevent the Corporation from becoming profitable;
- regulatory scrutiny of the Corporation's industry may negatively impact its ability to raise additional capital;
- cannabis is illegal under U.S. federal law;
- there is uncertainty surrounding the Trump administration and the U.S. Attorney General's position on cannabis enforcement;

- the Corporation may be subject to certain U.S. federal regulations relating to cash reporting;
- some of the Corporation's planned business activities, while believed to be compliant with applicable certain U.S. state and local law, are illegal under United States federal law;
- the enforcement of relevant laws is a significant risk;
- the Corporation's investments and operations in the United States may be subject to heightened scrutiny;
- the Corporation's directors, officers, employees and its investors may face challenges with cross-border travel;
- the Corporation may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Corporation to operate;
- due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions can be hesitant to service the cannabis industry due to the risk of violating certain financial laws, including anti-money laundering statutes;
- there are constraints on marketing products;
- the Corporation cannot assure that a market will develop or exist for the Common Shares or what the market price of the Common Shares will be;
- the size of the Corporation's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data;
- U.S. federal trademark and patent protection may not be available for the intellectual property of the Corporation due to the current classification of cannabis as a Schedule I controlled substance;
- the Corporation's contracts may not be legally enforceable in the United States;
- the Corporation will be subject to additional regulatory burden resulting from its public listing on the CSE;
- it may be difficult, if not impossible, for U.S. holders of Common Shares to resell them over the CSE;
- the market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control;
- the Corporation is subject to uncertainty regarding Canadian and U.S. legal and regulatory status and changes;
- the Corporation does not anticipate paying cash dividends;
- future sales of Common Shares by existing shareholders could reduce the market price of the Corporation's shares;
- the Corporation is subject to currency fluctuations;
- no guarantee on the use of available funds by the Corporation; and

- other factors discussed under “*Risk Factors*”.

The factors identified above are not intended to represent a complete list of the risks and factors that could affect the Corporation. Some of the important risks and factors that could affect forward-looking statements are discussed in the section entitled “*Risk Factors*” in this prospectus. Although the Corporation has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

These forward-looking statements are based on the beliefs of the Corporation’s management as well as on assumptions, which such management believes to be reasonable based on information currently available at the time such statements were made. Although the Corporation believes its expectations are based upon reasonable assumptions and have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

Forward-looking statements contained in this prospectus are made as of the date of this prospectus and, accordingly, are subject to change after such date. Except as otherwise indicated by the Corporation, these statements do not reflect the potential impact of any non-recurring or other special items or of any disposition, monetization, merger, acquisition, other business combination or other transaction that may be announced or that may occur after the date hereof. The Corporation does not intend or undertake to publicly update any forward-looking statements that are included in this document, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

All of the forward-looking statements contained in this prospectus are expressly qualified by the foregoing cautionary statements. Investors should read this entire prospectus and consult their own professional advisors to assess the income tax, legal, risk factors and other aspects of their investment.

GLOSSARY

“**Acquisition Transaction**” means the acquisition of New Leaf USA (and the Subsidiaries) by the Corporation pursuant to the Share Purchase Agreement.

“**Additional Units**” has the meaning ascribed to such term on the cover page of this prospectus.

“**Agency Agreement**” means the agency agreement between the Corporation and the Agent to be entered into in connection with the Offering.

“**Agent**” means Mackie Research Capital Corporation.

“**Agent’s Commission**” has the meaning ascribed to such term on the cover page of this prospectus.

“**Agent’s Fee**” has the meaning ascribed to such term on the cover page of this prospectus.

“**Agent Unit**” has the meaning ascribed to such term on the cover page of this prospectus.

“**Agent Unit Warrants**” has the meaning ascribed to such term on the cover page of this prospectus.

“**Agent Warrant**” has the meaning ascribed to such term on the cover page of this prospectus.

“**Assets**” means the Facility lease, Equipment, IP, and other tangible and intangible assets assigned to the Subsidiaries in connection with the Reorganization Transaction.

“**Audit Committee**” means the Audit Committee of the Corporation in accordance with NI 52-110.

“**Awards**” means collectively Options, RSRs and DSUs.

“**Board of Directors**” or “**Board**” means the board of directors of the Corporation.

“**BCSC**” means the British Columbia Securities Commission.

“**Canadian Holder**” means a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is or is deemed to be resident in Canada.

“**Cannabis Act**” means the Act respecting cannabis and to amend the *Controlled Drugs and Substances Act*, the *Criminal Code* and other Acts, which, when combined with the *Act to Amend the Criminal Code*, provide a framework for the legalization of recreational cannabis in Canada, as more particularly set out in “*Regulatory Framework - Canada*”.

“**Cannabis Regulations**” means the *Cannabis Regulations*, regulations that were introduced in support of the Cannabis Act, as more particularly set out in “*Regulatory Framework - Canada*”.

“**CBD**” means cannabidiol.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CEO**” means chief executive officer.

“**CFO**” means chief financial officer.

“**Closing**” has the meaning ascribed to such term on the cover page of this prospectus.

“**Closing Conditions**” has the meaning ascribed to such term on the cover page of this prospectus.

“**Closing Date**” has the meaning ascribed to such term on the cover page of this prospectus.

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended.

“**Cole Memorandum**” means, collectively, the August 29, 2013 and the February 14, 2014 memoranda issued by the DOJ providing enforcement guidance with respect to states with strictly-regulated medical or recreational cannabis programs, subsequently rescinded.

“**Colwell Employment Agreement**” means the employment agreement to be entered into by New Leaf USA and Robert Colwell in connection with the Acquisition Transaction.

“**Common Shares**” means the class A voting common share in the capital of the Corporation.

“**Consideration Shares**” means the 9,000,000 Common Shares issuable to the Vendors as partial consideration for the Acquisition Transaction.

“**Corporation**” means New Leaf Ventures Inc. (formerly 1166858 B.C. Ltd.), a company incorporated under the BCBCA.

“**CRA**” means Canada Revenue Agency.

“**CSA**” means *Controlled Substances Act of 1970* in the United States.

“**CSE**” means the Canadian Securities Exchange.

“**D&O Insurance**” means the Corporation’s director and officer liability insurance, as more particularly set out in “*Director Compensation – Indemnification and Insurance*”.

“**DEA**” means the Drug Enforcement Administration.

“**DOJ**” means the United States Department of Justice.

“**Domestic Issuer**” as defined by applicable United States securities laws, means a U.S. issuer or a non-U.S. issuer that has a majority (50.1% or more) of its outstanding voting securities held by U.S. residents and either the majority of the executive officers or directors are U.S. citizens or residents, a majority of the assets of the issuer are located in the U.S., or the business of the issuer is administered principally in the U.S.

“**DPSP**” means a deferred profit sharing plan within the meaning of the Tax Act.

“**DSUs**” means the deferred share units granted pursuant to the Equity Incentive Plan.

“**Early Expiry Date**” means the date that is 30 calendar days following the date the Corporation provides an early expiry notice (in accordance with the terms of the Warrant Indenture) to holders of the Warrants advising that an Early Expiry Event has occurred.

“**Early Expiry Event**” has the meaning ascribed to such term on the cover page of this prospectus.

“**Equity Incentive Plan**” means the equity incentive plan of the Corporation dated September 12, 2019.

“**Employment Shares**” means the 1,829,338 Common Shares issuable to each of Boris Gorodnitsky and Robert Colwell in connection with the Vendor Employment Agreements.

“**Equipment**” means the cultivation, processing, packaging and other related equipment assigned from the License Holder to EquipmentCo in connection with the Reorganization Transaction.

“**Equipment Escrow Agreement**” means the escrow agreement to be entered into pursuant to which the funds payable to the License Holder under the Equipment Promissory Note will be first applied to satisfy and discharge all encumbrances.

“**Equipment Promissory Note**” means the License Holder’s promissory note in the amount of USD\$769,871.24, which it received in exchange for the Equipment it assigned to EquipmentCo.

“**EquipmentCo**” means New Leaf Equipment LLC, a limited liability company formed pursuant to the laws of the State of Washington.

“**Equipment Lease Agreement**” means the agreement between EquipmentCo and the License Holder dated June 27, 2019, as amended by amending agreement dated October 11, 2019.

“**Escrow Agreement**” means the escrow agreement to be entered into by the Corporation and Odyssey substantially in the form attached as an Appendix to NP 46-201 (Form 46-201F1).

“**Expiry Date**” means the date that is twenty-four (24) months from the date the Common Shares are listed for trading on the CSE.

“**Facility**” means the approximately 30,000 square foot integrated cultivation facility located at 460 and 470 South Kenyon Street, Seattle, Washington.

“**FDA**” means the United States Food and Drug Administration.

“**FinCEN**” means the U.S. Department of the Treasury’s Financial Crimes Enforcement Network.

“**FinCEN Memorandum**” means the memorandum on February 14, 2014 issued by FinCEN, outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses in compliance with federal enforcement priorities, as more particularly set out in “*Regulatory Framework – United States*”.

“**Gorodnitsky Employment Agreement**” means the employment agreement to be entered into by New Leaf USA and Boris Gorodnitsky in connection with the Acquisition Transaction.

“**HempCo**” means New Leaf Hemp Corporation LLC, a limited liability company formed under the laws of the State of Washington, United States.

“**Holder**” or “**Holders**” has the meaning ascribed to such terms below in the section “*Certain Canadian Federal Income Tax Considerations*”.

“**IFRS**” means International Financial Reporting Standards.

“**IP**” means the NEW LEAF ENTERPRISES, NLE, NLE Inc and DAMA tradenames, the DAMA™, WEED™, NEW LEAF ENTERPRISES™ and NLE™ trademarks, and the other intellectual property, including, domain names and recipes/trade secrets, assigned by the License Holder to IPCo pursuant to the IP License Agreement in connection with the Reorganization Transaction.

“**IP Escrow Agreement**” means the escrow agreement to be entered into pursuant to which the funds payable to the License Holder under the IP Promissory Note will be first applied to satisfy and discharge all encumbrances.

“**IP Promissory Note**” means the License Holder’s promissory note in the amount of USD\$1,300,000, which it received in exchange for the IP it assigned to IPCo.

“**IPCo**” means New Leaf IP LLC, a limited liability company formed pursuant to the laws of the State of Washington.

“**IP License Agreement**” means the agreement between IPCo and the License Holder dated June 27, 2019, as amended by amending agreement dated October 11, 2019.

“**IT**” means information technology.

“**License Holder**” means New Leaf Enterprises Inc., a WSLCB producer and processor license holder.

“**Liquidity Event**” means the filing and receipt of the final long form prospectus with the securities commissions of the Qualifying Jurisdictions, in connection with the listing of the Common Shares on the CSE.

“**LinkPoint Consulting**” means LinkPoint IT Solutions Ltd., a corporation incorporated pursuant to the laws of the Province of British Columbia, dba LinkPoint Consulting.

“**Listing Date**” means the date on which the Common Shares are listed on the CSE.

“**Management**” means the management of the Corporation.

“**MD&A**” means Management’s Discussion and Analysis included in this prospectus.

"Minhas Consulting Agreement" means the consulting agreement between the Corporation, Minhas Consulting Corp. and Randy Minhas, dated July 1, 2019.

"Minister" means federal Minister of Health (Canada).

"Named Executive Officers" or **"NEOs"** means the Corporation's CEO, CFO, and President.

"New Leaf USA" means New Leaf USA Inc. a corporation incorporated pursuant to the laws of the State of Washington.

"New Leaf USA Entities" means New Leaf USA and the Subsidiaries.

"NCI" has the meaning ascribed to such term on the cover page of this prospectus.

"NI 41-101" means National Instrument 41-101 – *General Prospectus Requirements*, of the Canadian Securities Administrators.

"NI 52-110" means National Instrument 52-110 *Audit Committees*, of the Canadian Securities Administrators.

"NI 58-101" means National Instrument 58-101 *Disclosure of Corporate Governance Practices*, of the Canadian Securities Administrators.

"Non-Canadian Holder" means a Holder who is not a resident of Canada, pursuant to the Tax Act.

"NP 11-202" means National Policy 11-202 – *Process for Prospectus Reviews in Multiple Jurisdictions*.

"NP 46-201" means National Policy 46-201- *Escrow for Initial Public Offerings*, of the Canadian Securities Administrators.

"Odyssey" means Odyssey Trust Corporation.

"Offering" has the meaning ascribed to such term on the cover page of this prospectus.

"Offering Price" has the meaning ascribed to such term on the cover page of this prospectus.

"Options" means the stock options granted pursuant to the Equity Incentive Plan.

"Option Agreement" means the option agreement between New Leaf USA and the License Holder dated June 21, 2019.

"Over-Allotment Option" has the meaning ascribed to such term on the cover page of this prospectus.

"Performance Warrants" means the up to 4,000,000 performance warrants issued to the Vendors as partial consideration for the Acquisition Transaction, each of which will entitle the holder thereof to purchase one Common Share at the price of \$0.02 per Common Share for a period of three years following the date of issue and will vest and become exercisable upon the satisfaction of performance milestones. See *"Options to Purchase Common Shares – Performance Warrants."*

"Person" means a company or individual.

"PFIC" means a "passive foreign investment company" under Section 1297 of the Code.

"PP Unit Share" means a Common Share that comprises a PP Unit.

"PP Units" means the 12,000,000 units issued at a price of \$0.05 per unit by the Corporation pursuant to an initial non-brokered private placement on February 26, 2019 (where each PP Unit consists of one Common Share and one PP Warrant).

"PP Warrant" means a Common Share purchase warrant that comprises a PP Unit, with each such PP Warrant entitling the holder thereof to acquire a PP Warrant Share at a price of \$0.05 per PP Warrant Share until February 26, 2021.

"PP Warrant Share" a Common Share issuable upon the exercise of a PP Warrant.

"Preferred Shares" means the class B non-voting preferred shares in the capital of the Corporation.

"President" means the president of the Corporation.

"President's List" has the meaning ascribed to such term on the cover page of this prospectus.

"Proposed Amendments" means all specific proposals to amend the Tax Act or the Tax Regulations that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof.

"Qualifying Jurisdictions" means the provinces of British Columbia, Alberta and Ontario.

"RDSP" means a registered disability savings plan within the meaning of the Tax Act.

"RealEstateCo" means New Leaf Real Estate, LLC, a limited liability company formed pursuant to the laws of the State of Washington.

"Registered Plan" means a TFSA, RRSP, RRIF, RDSP, RESP or DPSP.

"Regulation S" means Regulation S, as promulgated under the U.S. Securities Act.

"Reorganization Transaction" means the reorganization of the License Holder, pursuant to which the New Leaf USA Entities acquired the Assets.

"RESP" means a registered education savings plan within the meaning of the Tax Act.

"Restricted Period" means any time at which the Board of Directors reasonably believes that the Corporation is a Domestic Issuer.

"RRIF" means a registered retirement income fund within the meaning of the Tax Act.

"RRSP" means a registered retirement savings plan within the meaning of the Tax Act.

"RSRs" means the restricted share rights granted pursuant to the Equity Incentive Plan.

"Rohrabacher-Blumenauer Amendment" means the amendment prohibiting the DOJ from spending funds to interfere with the implementation of state medical cannabis laws that was renewed as part of an omnibus spending bill in effect through September 30, 2019, unless further renewed.

"SAR" means a Suspicious Activity Report, as more particularly set out in "*Regulatory Framework – United States*".

"SB 5276" means the recently enacted Engrossed Second Substitute Senate Bill 5276.

"Section 280E" means section 280E of the *Internal Revenue Code* (United States).

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval maintained by the Canadian Securities Administrators.

“**Services**” mean staffing and human resources, bookkeeping and payroll, advertising and marketing, IT, and other consulting and advisory services.

“**ServicesCo**” means New Leaf Services LLC, a limited liability company formed pursuant to the laws of the State of Washington.

“**Services Agreement**” means the agreement between ServicesCo and the License Holder dated August 21, 2019, as amended by amending agreement dated October 11, 2019.

“**Shareholders**” means holders from time to time of Common Shares.

“**Share Purchase Agreement**” means the share purchase agreement dated September 13, 2019 among the Corporation, New Leaf USA and the Vendors (as the sole shareholders of New Leaf USA).

“**Staff Notice 51-352**” means Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018 – *Issuers with U.S. Marijuana-Related Activities*, as more particularly set out in “*Regulatory Framework – United States*”.

“**Stier Consulting Agreement**” means the consulting agreement between the Corporation, AMBE Holdings Ltd. and Mike Stier, dated November 14, 2019.

“**SubLeases**” means the two subleases of the Facility between RealEstateCo and the License Holder, one dated August 30, 2019 (the “**460 Sublease**”) and one dated August 13, 2019 (the “**470 Sublease**”).

“**Subsidiaries**” means HempCo, IPCo, EquipmentCo, RealEstateCo and ServicesCo.

“**Tax Act**” means *Income Tax Act* (Canada).

“**Tax Regulations**” means the regulations enacted in support of the Tax Act.

“**TFSA**” means a tax free savings account within the meaning of the Tax Act.

“**THC**” means tetrahydrocannabinol.

“**TMX MOU**” means the memorandum of understanding, dated February 8, 2018, between the TMX Group, Aequitas NEO Exchange Inc., the CSE, the TSX and the TSX Venture Exchange, as more particularly described in the face pages hereof.

“**Units**” has the meaning ascribed to such term on the cover page of this prospectus.

“**Unit Share**” has the meaning ascribed to such term on the cover page of this prospectus.

“**U.S. Holder**” means a beneficial owner of Common Shares that, for United States federal income tax purposes, is (a) a citizen or resident of the United States, (b) a corporation, or other entity classified as a corporation for United States federal income tax purposes, that is created or organized in or under the laws of the United States or any state in the United States, including the District of Columbia, (c) an estate if the income of such estate is subject to United States federal income tax regardless of the source of such income, (d) a trust if (i) such trust has validly elected to be treated as a United States person (as defined by the Internal Revenue Code) for United States federal income tax purposes or (ii) a United States court is able to exercise primary supervision over the administration of such trust and one or more United States persons have the authority to control all substantial decisions of such trust, or (e) a partnership, limited liability company or other entity classified as a partnership for United States tax

purposes that is created or organized in or under the laws of the United States or any state in the United States, including the District of Columbia.

“U.S. Person” means a U.S. Person as defined in Regulation S (the definition of which includes, but is not limited to, (i) any natural person resident in the United States, (ii) any partnership or corporation organized or incorporated under the laws of the United States, (iii) any partnership or corporation organized outside of the United States by a U.S. Person principally for the purpose of investing in securities not registered under the U.S. Securities Act, unless it is organized, or incorporated, and owned, by accredited investors who are not natural persons, estates or trusts, and (iv) any estate or trust of which any executor or administrator or trustee is a U.S. Person.

“U.S. Securities Act” means United States Securities Act of 1933, as amended.

“USAM” means the U.S. Attorney’s Manual.

“USDA” means the United States Department of Agriculture.

“United States” or **“U.S.”** means the United States of America, its territories, any State of the United States and the District of Columbia.

“Vendor Employment Agreements” means the Colwell Employment Agreement and the Gorodnitsky Employment Agreement.

“Vendors” means Robert Colwell and Boris Gorodnitsky.

“Warrant” has the meaning ascribed to such term on the cover page of this prospectus.

“Warrant Indenture” means the warrant indenture between the Corporation and Odyssey, to be entered into in connection with the Offering, governing the issuance and terms of the Warrants, as more particularly set out in the face pages hereof.

“Warrant Share” has the meaning ascribed to such term on the cover page of this prospectus.

“WSDA” means the Washington State Department of Agriculture.

“WSLCB” means the Washington State Liquor and Cannabis Board.

GENERAL MATTERS

Unless otherwise noted or the context indicates otherwise “we”, “us”, “our” or the “Corporation” refer to New Leaf Ventures Inc.

Prospective investors should rely only on the information contained in this prospectus. The Corporation and the Agent have not authorized any other person to provide prospective investors with additional or different information. If anyone provides prospective investors with additional or different or inconsistent information, including information or statements in media articles about the Corporation, prospective investors should not rely on it. Information that is not contained in this prospectus is not intended to be included in or incorporated by reference into this prospectus and prospective investors should not rely on such information when deciding whether or not to invest in the Corporation. Any graphs, tables or other information demonstrating our historical performance contained in this prospectus are intended only to illustrate past performance and are not necessarily indicative of the Corporation’s future performance. Prospective investors should assume that the information appearing in this prospectus is only accurate as at its date, regardless of its time of delivery. The Corporation’s business, financial conditions, results of operations and prospects may have changed since that date.

If, after the date that the preliminary prospectus is filed but before the filing of a final prospectus, a material adverse change occurs, the Corporation will be required to file an amendment to the preliminary prospectus as soon as practicable, but in any event, within 10 days after the material adverse change occurs. If, after the date that a final prospectus is filed but before the completion of the distribution under the final prospectus, a material change occurs, the Corporation will be required to file and deliver to investors an amendment to the final prospectus as soon as practicable, but in any, event within 10 days after the material change occurs.

The Units may be sold only in those jurisdictions where offers and sales are permitted. This prospectus is not an offer to sell, or a solicitation of an offer to buy, the Units or any other securities in any jurisdiction where it is unlawful.

Readers are urged to read the information under the headings “Risk Factors” and “Forward-Looking Statements”.

MARKETING MATERIALS

Any “template version” of any “marketing materials” (as such terms are defined in NI 41-101) that are utilized by the Agent in connection with the Offering will be incorporated by reference into the final prospectus. However, any such template version of marketing materials will not form part of the final prospectus to the extent that the contents of the template version of marketing materials are modified or superseded by a statement contained in the final prospectus. Any template version of marketing materials filed under the Corporation’s profile on SEDAR after the date of the final prospectus and before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) will be deemed to be incorporated into the final prospectus.

MARKET RESEARCH AND PUBLIC DATA

Unless otherwise indicated, information contained in this prospectus concerning the Corporation’s industry and the markets in which it operates, including general expectations and market position, market opportunities and market share, is based on information from independent industry organizations, other third-party sources (including industry publications, surveys and forecasts) and management studies and estimates.

Unless otherwise indicated, the Corporation’s estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from the Corporation’s

internal research, and knowledge of the State of Washington, and more generally the United States, cannabis market and economy, and include assumptions made by the Corporation which management believes to be reasonable based on their knowledge of the Corporation's industry and markets. None of the sources cited in this prospectus have consented to the inclusion of any data from its reports, nor have we sought their consent. The Corporation's internal research and assumptions have not been verified by any independent source, and it has not independently verified any third-party information. While the Corporation believes the market position, market opportunity and market share information included in this prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Corporation's future performance and the future performance of the industry and markets in which it operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the heading "*Forward-Looking Statements*" and "*Risk Factors*". These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties or by us.

PRESENTATION CURRENCY

All dollar amounts set forth in this prospectus are stated in Canadian dollars except where otherwise indicated. Certain totals, subtotals and percentages throughout this prospectus may not reconcile due to rounding.

FINANCIAL STATEMENT PRESENTATION IN THIS PROSPECTUS

All financial information herein has been presented in Canadian dollars in accordance with International Financial Reporting Standards ("**IFRS**").

The following financial statements of the License Holder, the Corporation and New Leaf USA have been prepared in accordance with IFRS and are included in this prospectus (see "*Financial Statements*"):

Schedule A – Corporation Financial Statements and MD&A

1. Audited financial statements of the Corporation from the date of incorporation on June 4, 2018 to December 31, 2018;
2. MD&A of the Corporation from the date of incorporation June 4, 2018 to December 31, 2018;
3. Unaudited financial statements of the Corporation for the nine months ended September 30, 2019;
4. MD&A of the Corporation for the nine months ended September 30, 2019;
5. Unaudited pro forma consolidated statement of financial position of the Corporation, as at September 30, 2019, that gives effect to the Acquisition Transaction, as if it had taken place on January 1, 2019; and
6. Unaudited pro forma consolidated statement of operations and comprehensive loss of the Corporation, for the year ended December 31, 2018, that gives effect to the Acquisition Transaction, as if it had occurred on June 4, 2018.

Schedule B – License Holder Financial Statements and MD&A

1. Audited financial statements of License Holder for each of the financial years ended December 31, 2018 and December 31, 2017;
2. MD&A of License Holder for the financial year ended December 31, 2018;

3. Unaudited interim financial statements of License Holder for the nine months ended September 30, 2019; and
4. MD&A of License Holder for the nine months ended September 30, 2019.

Schedule C – New Leaf USA Financial Statements

1. Audited financial statements of New Leaf USA from the date of incorporation on May 2, 2019 to September 30, 2019.

EXCHANGE RATE INFORMATION

The following table lists the high and low exchange rates, the average of the exchange rates on the last day of each month during the year ended December 31, 2018 and the nine month period ended September 30, 2019 and the exchange rates at the end of such period for one Canadian dollar, expressed in U.S. dollars, based on exchange rates from the Bank of Canada.

	Year Ended December 31, 2018 ⁽¹⁾ USD\$	Nine Months Ended September 30, 2019 ⁽³⁾ USD\$
High for the period	0.8138	0.7672
Low for the period	0.7330	0.7331
End of the period	0.7330	0.7552
Average for the period ⁽²⁾	0.7721	0.7523

Notes:

- (1) Calculated using the daily rates of the Bank of Canada.
- (2) Calculated as an average of the respective Bank of Canada rates for each day during the period.
- (3) Calculated to September 30, 2019, being the last business day of the period.

The exchange rate for one Canadian dollar, expressed in U.S. dollars on December 12, 2019, based on the daily rate of the Bank of Canada, was \$1.00 = USD\$0.7586.

TRADEMARKS AND TRADE NAMES

This prospectus includes the trademarks “New Leaf Enterprises”; “NLE”; “DAMA”; “WEED” which are protected under applicable intellectual property laws and are the property of the Corporation. Solely for convenience, the trade-marks and trade names referred to in this prospectus may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that the Corporation will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names. All other trademarks used in this prospectus are the property of their respective owners.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Prospective investors should carefully consider, among other things, the matters discussed under “Risk Factors”. Certain capitalized terms and phrases used in this prospectus are defined in the “Glossary”.

The Issuer: The Corporation was incorporated under the BCBCA as “1166858 B.C. Ltd.” on June 4, 2018. On September 18, 2019, the Corporation changed its name to “New Leaf Ventures Inc.” The Corporation’s head office and registered and records office is located at Suite 2200 – 855 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E8.

See “*Corporate Structure*”.

**Business
of Issuer:**

The Corporation has been active in establishing strategic relationships towards executing the goal of acquiring assets and businesses in the cannabis industry (through the Acquisition Transaction).

On September 13, 2019, the Corporation entered into the Share Purchase Agreement to purchase New Leaf USA (and the Subsidiaries). Following completion of the Acquisition Transaction, the New Leaf USA Entities will be the core business of the Corporation. The Acquisition Transaction is expected to position the Corporation to achieve its objective of building core operating assets.

Assuming successful completion of the Acquisition Transaction, the New Leaf USA Entities will be wholly-owned subsidiaries of the Corporation, and through which the Corporation will provide consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to the License Holder. The Corporation expects to generate returns from any or all of the following revenue sources: (i) providing the Services to the License Holder; and (ii) subleasing the Facility, Equipment and IP to the License Holder. Separately, New Leaf USA entered into the Option Agreement with the License Holder, pursuant to which New Leaf USA may purchase the underlying cannabis license of the License Holder should the laws of Washington State change to allow non-resident owners of such license.

New Leaf USA

New Leaf USA, a Washington corporation, was formed on May 2, 2019. New Leaf USA, through the Subsidiaries, holds assets, including real estate leases, as well the Equipment and other tangible and intangible assets, including IP (previously defined as the “Assets”). The foregoing Assets are held by the following Subsidiaries: RealEstateCo, EquipmentCo, IPCo, ServicesCo and HempCo. In addition, through the Option Agreement, New Leaf USA has an option to purchase the underlying cannabis license of the License Holder, should the laws of Washington State change to allow non-resident owners of such license.

The New Leaf USA Entities acquired the Assets through the Reorganization Transaction involving the License Holder. In particular, in connection with the Reorganization Transaction, among other things, the License Holder assigned the Equipment to EquipmentCo effective October 1, 2019, in exchange for a promissory note in the amount of USD\$769,871.24 (the “**Equipment Promissory Note**”), assigned the IP to IPCo effective October 1, 2019, in exchange for a promissory note in the amount of USD\$1,300,000 (the “**IP Promissory Note**”), and assigned the lease of the Facility to RealEstateCo.

EquipmentCo

EquipmentCo, a Washington limited liability company, was formed on May 14, 2019. EquipmentCo leases the Equipment to the License Holder in exchange for a monthly fee of USD\$6,000. The Equipment includes: cultivation, processing, packaging and other related equipment. The Equipment is subject to encumbrances in the form of liens and other charges filed in respect of unpaid taxes of the License Holder. The License Holder has agreed that, pursuant the terms of the Equipment Escrow Agreement and IP Escrow Agreement, any amounts payable under the Equipment Promissory Note and the IP Promissory Note will be first applied to satisfy and discharge all such encumbrances.

IPCo

IPCo, a Washington limited liability company, was formed on May 14, 2019. Effective

October 1, 2019, IPCo leases the IP (as defined below) to the License Holder in exchange for (i) an annual exclusivity fee of USD\$100,000; and (ii) the greater of USD\$1.07 per each unit sold or a guaranteed minimum quarterly license fee of USD\$150,000. The IP includes: the NEW LEAF ENTERPRISES, NLE, NLE Inc and DAMA tradenames, the DAMA, WEED, NEW LEAF ENTERPRISES and NLE trademarks, and the other intellectual property, including, domain names, trade secrets, recipes for edible and vapour products, cultivation nutrient and pest control protocols, standard operating procedures covering all aspects of operations, various internally developed materials and systems that support operations (forms, spreadsheets, BTO Manager), assigned by the License Holder to IPCo in connection with the Reorganization Transaction.

RealEstateCo

RealEstateCo, a Washington limited liability company, was formed on May 14, 2019. Pursuant to the Subleases, RealEstateCo leases the 30,000 square foot Facility to the License Holder in exchange for monthly fees of US\$36,860 (which includes the base rent and payment of property tax amounts pursuant to the terms of the Subleases). The Facility includes flower rooms, vegetative rooms, greenhouse and warehousing facilities, a lab and space to develop a commercial kitchen, where the License Holder can produce and/or process cannabis flower and trim, vape products, oils, wax, pre-rolls, capsules and other edibles and oils.

ServicesCo

ServicesCo, a Washington limited liability company, was formed on May 17, 2019. Effective October 1, 2019, ServicesCo provides the Services to the License Holder in exchange for a monthly fee of \$251,000. See "Description of the Business". The Services include: staffing and human resources, bookkeeping and payroll, advertising and marketing, IT, and other consulting and advisory services.

HempCo

HempCo, a Washington limited liability company, was formed on April 4, 2019. HempCo is the New Leaf USA Entities' hemp operation. The current platform involves an online eCommerce solution. All products are expected to be white-labelled through a third-party manufacturer and distributor and be branded as "Dama Hemp". It is anticipated that HempCo will initially offer full spectrum hemp extract in both capsule and tincture form. See "*Description of the Business*".

Summary Financial Information

The following selected financial information has been derived from and is qualified in its entirety by the Corporation's financial statements (included as Schedule A to this prospectus) and the License Holder's financial statements (included as Schedule B to this prospectus) and should be read in conjunction with the respective management's discussion and analysis thereto, attached at Schedule A and Schedule B, respectively, to this prospectus.

	License Holder for the Year Ended December 31, 2018 (Audited) US\$	License Holder for the Nine Months Ended September 30, 2019 (Unaudited) US\$	Corporation for Period from Incorporation to December 31, 2018 (Audited) CDN\$	Corporation for the Nine Months Ended September 30, 2019 (Unaudited) CDN\$
Revenue	\$2,578,783	\$1,776,854	\$nil	\$nil
Total expenses	\$3,774,268	\$2,129,921	\$36,250	\$755,266
Net loss	(\$1,195,485)	(\$353,067)	(\$36,250)	(\$755,266)
Current assets	\$772,643	\$892,238	\$1	\$73,897
Total assets	\$1,501,961	\$3,654,947	\$1	\$73,897
Current liabilities	\$3,009,928	\$3,713,743	\$36,250	\$321,162
Total liabilities	\$3,028,716	\$5,578,955	\$36,250	\$415,662
Shareholders' equity (deficiency)	(\$1,526,755)	(\$1,924,008)	(\$36,249)	\$337,265

Selected Pro Forma Financial Information

The following table sets out selected unaudited pro forma financial information as at and for the periods indicated. The following is a summary only and must be read in conjunction with the financial statements and pro forma financial statements set out on the Schedules to this prospectus.

The unaudited pro forma consolidated financial statements of the Corporation included in this prospectus and the following selected pro forma financial information are presented for illustrative purposes only and are not necessarily indicative of: (i) the financial results that would have occurred had the Acquisition Transaction actually occurred at the times contemplated by the notes to the unaudited pro forma consolidated financial statements of the Corporation; or (ii) the results expected in future periods.

	Unaudited pro forma as at September 30, 2019 CDN\$	Unaudited pro forma as at and for the period ended December 31, 2018 CDN\$
Revenue	\$3,746,160	\$2,949,320
Total operating expenses	\$2,188,827	\$1,243,916
Net income (loss)	\$1,557,333	\$1,705,404

**Unaudited pro forma as at
September 30, 2019
CDN\$**

Current assets	7,487,818
Total assets	15,686,853
Current liabilities	1,248,672
Total liabilities	5,956,569
Shareholders' equity (deficiency)	9,730,284

Closing Conditions: The Offering will not be completed unless the conditions to closing (including, without limitation, the Closing Conditions) are satisfied or waived. The Closing Conditions include the following:

1. the Corporation obtaining a final receipt for the prospectus from the securities regulatory authorities in each of the Qualifying Jurisdictions;
2. the satisfaction or waiver of all conditions precedent to the Acquisition Transaction in accordance with the definitive agreement(s) governing such transaction and to the satisfaction of the Agent; and
3. the receipt of all required shareholder and regulatory approvals in connection with the Liquidity Event, including, without limitation, the conditional approval of the CSE for the listing of the Common Shares and the relevant listing documents having been accepted for filing with the CSE.

The Offering: The Offering consists of the distribution of 20,000,000 Units for at a price of \$0.25 per Unit, for aggregate gross proceeds of \$5,000,000. Each Unit will consist of one (1) Unit Share and one-half of one Warrant, with each Warrant entitling the holder thereof, subject to the terms and conditions of the Warrant Indenture, to purchase one Warrant Share at a price of \$0.40 per Warrant Share until the Expiry Date (subject to an Early Expiry Date upon the occurrence of an Early Expiry Event).

The Listing: Concurrently with the filing of this prospectus, the Corporation intends to apply to list the Common Shares on the CSE; however, as of the date of this prospectus, the Corporation has not applied for nor received conditional approval from the CSE for such a listing. Listing will be subject to the Corporation fulfilling all of the requirements of the CSE, including meeting all minimum listing requirements, which cannot be guaranteed.

Total Funds Available In respect of the Offering, the Corporation estimates to receive aggregate net proceeds of \$4,168,500, after deducting the Agent's Commission and the Agent's Fee and the estimated expenses of the Offering (assuming the Over-Allotment Option is not exercised).

Source of Funding	Amount (CDN\$)
Gross Proceeds of the Offering	\$5,000,000
Agent's Commission ⁽²⁾	(\$400,000)
Agent's Fee	(\$31,500)
Expenses and costs relating to the Offering (including this prospectus) ⁽¹⁾	(\$400,000)
Net Proceeds of the Offering	\$4,168,500
Total Funds Available	\$4,168,500

Notes:

- (1) Estimated costs includes costs of: (i) the Agent (including legal costs); (ii) legal counsel to the Corporation; (iii) the auditors with respect to the preparation and audit of the audited financials for the Corporation, the License Holder and the New Leaf USA Entities, and preparation and review of the interim financial statements and pro-forma financial statements and management's discussion and analysis; (iv) securities commission and SEDAR filing fees; and (v) other similar incidental costs relating to the foregoing.
- (2) Assumes no Units are sold to purchasers on the President's List.

Use of Available Funds:

Principal Purposes

The Corporation intends to use the Total Funds Available as follows (assuming that the Over-Allotment Option is not exercised):

Use of Proceeds	Approximate Amount (CDN\$)
Payments under IP Promissory Note	\$783,504 ⁽¹⁾⁽²⁾⁽³⁾
Payments under Equipment Promissory Note	\$463,998 ⁽¹⁾⁽²⁾⁽³⁾
Facility expansion	\$815,000
National hemp roll-out	\$350,000
Marketing plan	\$230,000
General and administrative costs	\$350,000 ⁽⁴⁾
Non-cannabis inventory and supply items	\$300,000 ⁽⁵⁾
Human capital	\$550,000 ⁽⁶⁾
Miscellaneous fees	\$50,000 ⁽⁷⁾
Unallocated working capital	\$275,998
Total	\$4,168,500

Notes:

- (1) The New Leaf USA Entities acquired the Assets through the Reorganization Transaction involving the License Holder. In particular, in connection with the Reorganization Transaction, among other things, the License Holder assigned the Equipment to EquipmentCo, effective October 1, 2019, in exchange for the Equipment Promissory Note in the amount of

USD\$769,871.24 and assigned the IP to IPCo effective October 1, 2019, in exchange for the IP Promissory Note in the amount of USD\$1,300,000. The Equipment is subject to encumbrances in the form of liens and other charges filed. The License Holder has agreed that any amounts payable under the Equipment Promissory Note and the IP Promissory Note, pursuant the terms of the Equipment Escrow Agreement and IP Escrow Agreement, will be first applied to satisfy and discharge the liens and charges on the Equipment in respect of unpaid taxes of the License Holder.

- (2) Calculated based on an exchange rate of US\$1.00 equals Cdn\$1.32. Both the IP and Equipment portions of the proposed use of proceeds were calculated based on quarterly payments of US\$148,390.89 (IP) and US\$87,878.36 (Equipment) and converted to Canadian dollars.
- (3) This amount reflects the first four quarterly payments.
- (4) This amount includes legal fees of \$113,656.60, auditor fees of approximately \$20,000 and accountant fees of approximately \$80,000.
- (5) The Corporation anticipates these funds will be used to purchase non-cannabis related inventory and supplies, through EquipmentCo, that can be sold or leased to the License Holder including packaging materials, non-cannabis product components such as ingredients for edibles and vape cartridges, various other supplies for cultivation, processing and the extraction lab and commercial kitchen equipment.
- (6) The Corporation anticipates these funds will be used to pay director fees, employee salaries and consulting fees.
- (7) The Corporation anticipates these funds will be used to pay lease, licensing, utilities, facilities and maintenance fee payments.

The Corporation intends to use the funds available to it as stated above. There may be circumstances however, where, for sound business reasons, a reallocation of funds may be necessary. Due to the uncertain nature of the cannabis industry, projects may be frequently reviewed and reassessed. Accordingly, while it is currently intended by Management that the available funds will be expended as set forth above, actual expenditures may in fact differ from these amounts and allocations.

**Risk
Factors:**

An investment in the securities of the Corporation is speculative and involves a high degree of risk due to the nature of the business of the Corporation.

The risks, uncertainties and other factors, many of which are beyond the control of the Corporation, that could influence actual results include, but are not limited to: the Corporation has no operating history; uncertainty about the Corporation's ability to continue as a going concern; the Corporation has negative cash flow for the period ending September 30, 2019; the Corporation's actual financial position and results of operations may differ materially from the expectations of management; the Corporation expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations; there are factors which may prevent the Corporation from the realization of growth targets; the Corporation is subject to changes in Canadian laws, regulations and guidelines, which could adversely affect the Corporation's future business, financial condition and results of operations; the Corporation is subject to changes in laws in the State of Washington and the federal laws of the United States, which could adversely affect the Corporation's future business, financial condition and results of operations; there is no assurance that the Corporation will turn a profit or generate revenues; the Corporation may not be able to effectively manage its growth and operations, which could materially and adversely affect its business; the Corporation may be unable to adequately protect its proprietary and intellectual property rights; the Corporation may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Corporation relating to intellectual property rights; the Corporation may become subject to litigation, which may have a material adverse effect on the Corporation's reputation, business, results from operations and financial condition; the Corporation will face competition from other companies where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business; if the Corporation is unable to attract and retain key personnel, it may not be able to

compete effectively in the cannabis market; failure to successfully integrate acquired businesses, its products and other assets into the Corporation, or if integrated, failure to further the Corporation's business strategy, may result in the Corporation's inability to realize any benefit from such acquisition; the size of the Corporation's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data; the Corporation's industry is experiencing rapid growth and consolidation that may cause the Corporation to lose key relationships and intensify competition; the Corporation will continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders; risk of high bonding and insurance costs; following completion of the Acquisition Transaction, the Corporation will be reliant on a single location; adverse changes affecting the Facility could materially affect the Corporation's plans; failure to realize the anticipated benefits of the Acquisition Transaction; failure to complete the Acquisition Transaction; failure to satisfy the conditions to the Closing; failure to complete the Offering; the Corporation does not anticipate the ability to immediately diversify its business; the Corporation will be reliant on the License Holder and will be reliant on the business of the License Holder, including, without limitation, the ability of the License Holder to fulfill its obligations under the terms of its contracts with the Corporation; risk of assets seizure in connection with certain unpaid taxes of the License Holder; the Corporation operates and will continue to operate in a highly dynamic market that is characterized by a growing number of new market entrants competing in the same product categories as the Corporation and as a result, the Corporation may face significant competition from other facilities; the Corporation could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Corporation; the Corporation will be reliant on information technology systems and may be subject to damaging cyberattacks; the Corporation may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws; the Corporation's officers and directors may be engaged in a range of business activities resulting in conflicts of interest; in certain circumstances, the Corporation's reputation could be damaged; the Corporation will be operating at a regulatory frontier; the cannabis industry is a new industry that may not succeed and, as a result of the Corporation's ancillary involvement in such industry, the Corporation's business may suffer; the Corporation may not be able to obtain all necessary licenses and permits or complete construction of its facilities in a timely manner, which could, among other things, delay or prevent the Corporation from becoming profitable; regulatory scrutiny of the Corporation's industry may negatively impact its ability to raise additional capital; cannabis is illegal under U.S. federal law; there is uncertainty surrounding the Trump Administration and the U.S. Attorney General's position on cannabis enforcement; the Corporation may be subject to certain U.S. federal regulations relating to cash reporting; some of the Corporation's planned business activities, while believed to be compliant with applicable certain U.S. state and local law, are illegal under United States federal law; the enforcement of relevant laws is a significant risk; the Corporation's investments and operations in the United States may be subject to heightened scrutiny; the Corporation's directors, officers, employees and its investors may face challenges with cross-border travel; the Corporation may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Corporation to operate; due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions can be hesitant to service the cannabis industry due to the risk of violating certain financial laws, including anti-money laundering statutes; there are constraints on marketing products; the Corporation cannot assure you that a market will develop or exist for the Common Shares or what the market price of the Common Shares will be; the size of the Corporation's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data; U.S. Federal trademark and patent protection may not be available for the intellectual property of the Corporation due to the

current classification of cannabis as a Schedule I controlled substance; the Corporation's contracts may not be legally enforceable in the United States; the Corporation will be subject to additional regulatory burden resulting from its public listing on the CSE; it may be difficult, if not impossible, for U.S. holders of Common Shares to resell them over the CSE; the market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control; the Corporation is subject to uncertainty regarding Canadian and U.S. legal and regulatory status and changes; the Corporation does not anticipate paying cash dividends; future sales of Common Shares by existing shareholders could reduce the market price of the Corporation's shares; the Corporation is subject to currency fluctuations; no guarantee on the use of available funds by the Corporation; and other factors discussed under "*Risk Factors*".

The Corporation cannot assure you that it will successfully address any or all of these risks. Prospective purchasers should carefully consider the information set out under "Risk Factors" and the other information in this prospectus before purchasing securities of the Corporation.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Corporation was incorporated under the BCBCA as “1166858 B.C. Ltd.” on June 4, 2018. On September 18, 2019, the Corporation changed its name to “New Leaf Ventures Inc.”. The Corporation’s head office and registered and records office is located at Suite 2200 – 855 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E8.

Intercorporate Relationships

As at the date of this prospectus, the Corporation does not have any subsidiaries.

However, assuming successful completion of the Acquisition Transaction, the Corporation will have six wholly-owned subsidiaries, comprised of the New Leaf USA Entities as follows: (i) New Leaf USA, (ii) EquipmentCo, (iii) IPCo, (iv) RealEstateCo, (v) ServicesCo and (vi) HempCo, and the corporate structure of the Corporation will be as outlined in the diagram below.

Subsidiaries

Below is a chart depicting the organizational structure of the Corporation, assuming successful completion of the Acquisition Transaction:



Assuming successful completion of the Acquisition Transaction:

- (i) The Corporation will directly own 100% of the issued and outstanding common shares of New Leaf USA. New Leaf USA was formed as a corporation pursuant to the laws of the State of Washington on May 2, 2019. New Leaf USA’s head office is located at 460 – 470 S. Kenyon Street, Seattle, Washington 98134.
- (ii) The Corporation will indirectly own 100% of the membership interest of EquipmentCo. EquipmentCo was formed as a limited liability company pursuant to the laws of the State of Washington on May 14, 2019. EquipmentCo’s head office is located at 460 – 470 S. Kenyon Street, Seattle, Washington 98134.
- (iii) The Corporation will indirectly own 100% of the membership interest of IPCo. IPCo was formed as a limited liability company pursuant to the laws of the State of Washington on May 14, 2019. IPCo’s head office is located at 460 – 470 S. Kenyon Street, Seattle, Washington 98134.
- (iv) The Corporation will indirectly own 100% of the membership interest of RealEstateCo. RealEstateCo was formed as a limited liability company pursuant to the laws of the State of Washington on May 14, 2019. RealEstateCo’s head office is located at 460 – 470 S. Kenyon Street, Seattle, Washington 98134.

- (v) The Corporation will indirectly own 100% of the membership interest of ServicesCo. ServicesCo was formed as a limited liability company pursuant to the laws of the State of Washington on May 14, 2019. ServicesCo's head office is located at 460 – 470 S. Kenyon Street, Seattle, Washington 98134.
- (vi) The Corporation will indirectly own 100% of the membership interest of HempCo. HempCo was formed as a limited liability company pursuant to the laws of the State of Washington on April 4, 2019. HempCo's head office is located at 460 – 470 S. Kenyon Street, Seattle, Washington 98134.

DESCRIPTION OF THE BUSINESS

Corporation History

The Corporation was incorporated under the BCBCA as "1166858 B.C. Ltd." on June 4, 2018. On September 18, 2019, the Corporation changed its name to "New Leaf Ventures Inc." Since incorporation, the Corporation has been active in establishing strategic relationships towards executing the goal of acquiring assets and businesses in the cannabis industry.

The Corporation has been active in establishing strategic relationships towards executing the goal of acquiring assets and businesses in the cannabis industry (through the Acquisition Transaction). The Corporation does not currently have any operations.

Financings and Transactions

On February 26, 2019, the Corporation completed an initial non-brokered private placement for gross proceeds of \$600,000, consisting of 12,000,000 units at a price of \$0.05 per unit (the "**PP Units**"), where each unit consists of one Common Share (a "**PP Unit Share**") and one common share purchase warrant (each, a "**PP Warrant**"), with each PP Warrant entitling the holder thereof to purchase one additional Common Share (each, a "**PP Warrant Share**") at a price of \$0.05 per PP Warrant Share until February 26, 2021.

On September 13, 2019, the Corporation entered into the Share Purchase Agreement to purchase New Leaf USA (and the Subsidiaries). Following completion of the Acquisition Transaction, the New Leaf USA Entities will be wholly-owned subsidiaries of the Corporation and will be the core business of the Corporation. The Share Purchase Agreement will provide the Corporation with access to the real property, equipment and intellectual property necessary to provide the License Holder with an integrated cannabis production and processing facility, as well as consulting and advisory services in agriculture and cannabis. Prior to closing the Acquisition Transaction, the Share Purchase Agreement may be terminated by mutual agreement between the Corporation and New Leaf USA, or by one party if the other has breached a material term of the Share Purchase Agreement that has not been waived by the other party. The Acquisition Transaction is expected to position the Corporation to achieve its objective of building core operating assets. The Corporation intends to close the Acquisition Transaction forthwith following the issuance of a receipt for the final prospectus pursuant to NP 11-202, and concurrently with the listing of the Common Shares on the CSE. See "*Acquisition Transaction*".

Acquisition Transaction

The consideration to be paid by the Corporation to the Vendors was based on management's valuation of the New Leaf USA Entities at approximately USD\$2,000,000, and pursuant to the terms of the Share Purchase Agreement, the Corporation will satisfy this purchase price through:

- (i) the issuance of 9,000,000 Consideration Shares to the Vendors, on a pro-rata basis; and
- (ii) the issuance of 4,000,000 Performance Warrants to the Vendors, on a pro-rata basis.

Each Performance Warrant will entitle the holder thereof to purchase one Common Share at the price of \$0.02 per Common Share for a period of three years, and will vest and become exercisable as follows: (i) if either the License Holder or the Corporation (or any successor thereof) achieves at least CDN\$5,000,000 in annual gross revenue, 2,000,000 (as to 1,000,000 per Vendor) Performance Warrants will vest and become exercisable; and (ii) if either the License Holder or the Corporation (or any successor thereof) achieves at least CDN\$ 7,500,000 in annual gross revenue, the remaining 2,000,000 (as to 1,000,000 per Vendor) Performance Warrants will vest and become exercisable.

As conditions to completion of the Acquisition Transaction, among other things:

- (i) New Leaf USA will enter into the Vendor Employment Agreements, pursuant to which Robert Colwell will be appointed to act as CEO of New Leaf USA, and Boris Gorodnitsky will be appointed to act as President of New Leaf USA, in each case, for a period of three years following the closing of the Acquisition Transaction, and pursuant to which the Corporation will issue 1,829,338 Employment Shares to each of Boris Gorodnitsky and Robert Colwell;
- (ii) the Corporation will enter into an ancillary rights agreement with the Vendors, pursuant to which Boris Gorodnitsky and Robert Colwell will be entitled to be nominees for election to the Board, and will be entitled to together select one additional nominee for election to the Board, in each case, at any annual general meeting of shareholders of the Corporation held during a period of three years from the closing of the Acquisition Transaction (and otherwise in accordance with the terms and conditions of the ancillary rights agreement); and
- (iii) the Corporation obtaining a receipt for the final prospectus pursuant to NP 11-202 and the conditional approval of the CSE for the listing of the Common Shares and the relevant listing documents having been accepted for filing with the CSE.

The Corporation intends to close the Acquisition Transaction forthwith following the issuance of a receipt for the final prospectus pursuant to NP 11-202, and concurrently with the listing of the Common Shares on the CSE. See "*Acquisition Transaction*".

Prior to completion of the Acquisition Transaction, neither of the Vendors will have any direct or indirect ownership interest in the Corporation. Following completion of the transaction, the Vendors will no longer have any direct ownership interest in the New Leaf USA Entities, but are expected to continue to hold all of the issued and outstanding shares of the License Holder, and will hold the Consideration Shares, the Performance Warrants and the Employment Shares.

Business of the Corporation Post-Acquisition Transaction

Assuming successful completion of the Acquisition Transaction, the New Leaf USA Entities will be wholly-owned subsidiaries of the Corporation, through which the Corporation will provide consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to the License Holder. The Corporation expects to generate returns from any or all of the following revenue sources: (i) providing the Services to the License Holder; and (ii) leasing the Facility, Equipment and IP to the License Holder. Separately, New Leaf USA entered into the Option Agreement with the License Holder, pursuant to which New Leaf USA may purchase the underlying cannabis license of the License Holder should the laws of Washington State change to allow non-resident owners of such license.

The completion of the Acquisition Transaction is anticipated to create a corporate structure that will enable the Corporation to provide a comprehensive range of flexible services and options to the License Holder for cultivating, growing, processing, packaging, and distribution of cannabis and cannabis products. The Corporation, through the New Leaf USA Entities, will also provide long-term advisory and consulting services (and other Services) to the License Holder in agriculture and cannabis.

Below is a description of the business of each of the New Leaf USA Entities.

New Leaf USA

New Leaf USA, Inc., a Washington corporation, was formed on May 2, 2019. New Leaf USA, through the Subsidiaries, holds assets, including real estate leases (the Facility), as well the Equipment and other tangible and intangible assets, including IP (previously defined as the "Assets"). The foregoing Assets are held by the following Subsidiaries: RealEstateCo, EquipmentCo, IPCo, ServicesCo and HempCo. In addition, through the Option Agreement, New Leaf USA has an option to purchase the underlying cannabis license of the License Holder should the laws of Washington State change to allow non-resident owners of such license.

The New Leaf USA Entities acquired the Assets through the Reorganization Transaction involving the License Holder. In particular, in connection with the Reorganization Transaction, among other things, the License Holder assigned the Equipment to EquipmentCo effective October 1, 2019, in exchange for the Equipment Promissory Note in the amount of USD\$769,871.24, assigned the IP to IPCo effective October 1, 2019, in exchange for the IP Promissory Note in the amount of USD\$1,300,000, and assigned the lease of the Facility to RealEstateCo.

EquipmentCo

EquipmentCo, a Washington limited liability company, was formed on May 14, 2019. Pursuant to the Equipment Lease Agreement, effective October 1, 2019, EquipmentCo leases the Equipment to the License Holder in exchange for a monthly fee of USD\$6,000. The Equipment includes: cultivation, processing, packaging and other related equipment. The Equipment is subject to encumbrances in the form of liens and other charges filed in respect of unpaid taxes of the License Holder (the License Holder's assets are also subject to these same liens and charges). Until such encumbrances are satisfied and discharged in full, there is risk that the Equipment (and/or the License Holder's assets) could be subject to seizure or forfeiture. To address this, the License Holder has agreed that any amounts payable under the Equipment Promissory Note and the IP Promissory Note, pursuant to the terms of the Equipment Escrow Agreement and IP Escrow Agreement, will be first applied to satisfy and discharge all such encumbrances. The Equipment Lease Agreement may be terminated by EquipmentCo if License Holder fails to make required payments when due, breaches or violates the material terms of the Equipment Lease Agreement, becomes insolvent or bankrupt, defaults, breaches, or violates any debenture, bond, or evidence of indebtedness or upon the issuance of any levy, seizure, assignment, application or sale for or by any creditor or government agency against any of License Holder's property.

IPCo

IPCo, a Washington limited liability company, was formed on May 14, 2019. Pursuant to the IP License Agreement, effective October 1, 2019, IPCo leases the IP to the License Holder in exchange for (i) an annual exclusivity fee of USD\$100,000; and (ii) the greater of USD\$1.07 per each unit sold or a guaranteed minimum quarterly License Fee of USD\$150,000. The IP includes: the NEW LEAF ENTERPRISES, NLE, NLE Inc and DAMA tradenames, the DAMA, WEED, NEW LEAF ENTERPRISES and NLE trademarks, and the other intellectual property, including, domain names, trade secrets, recipes for edible and vapour products, cultivation nutrient and pest control protocols, standard operating procedures covering all aspects of operations, various internally developed materials and systems that support operations (forms, spreadsheets, BTO Manager), assigned by the License Holder to IPCo in connection with the Reorganization Transaction. The IP License Agreement may be terminated either party upon 30 days written notice to the other party in the event of a breach of a material provision of the IP License Agreement by the other party.

RealEstateCo

RealEstateCo, a Washington limited liability company, was formed on May 14, 2019. Pursuant to the Sublease, RealEstateCo leases the 30,000 square foot Facility to the License Holder in exchange for a monthly fee of US\$36,860 (which includes the base rent and payment of property tax amounts pursuant to the terms of the Subleases). The Facility includes flower rooms, vegetative rooms, greenhouse and warehousing facilities, a lab and space to develop a commercial kitchen, where the License Holder can

produce and/or process cannabis flower and trim, vape products, oils, wax, pre-rolls, capsules and other edibles. Although the SubLeases contemplated that effective August 2019, the License Holder would pay the monthly fee of US\$36,860 to RealEstateCo (for onward distribution to the Facility landlords as required), the License Holder instead continued to pay the Facility leasing fees directly to the applicable landlords; upon completion of the Acquisition Transaction, the monthly payment fees will be paid by the License Holder to RealEstateCo.

ServicesCo

ServicesCo, a Washington limited liability company, was formed on May 14, 2019. Pursuant to the Services Agreement, effective October 1, 2019, ServicesCo provides the Services to the License Holder in exchange for a monthly fee of USD\$251,000. The Services Agreement may be terminated by ServicesCo if License Holder fails to make required payments when due, or by either party if the other party breaches the Services Agreement, files for bankruptcy, if either party's business terminates or by order of the WSLCB or any court or government agency. The Services include: staffing and human resources, accounting and payroll, advertising and marketing, IT and other consulting and advisory services.

It is anticipated ServicesCo will have approximately 25 employees upon completion of the Acquisition Transaction and approximately 70 employees in both labour and management roles once the Facility is operating at full-capacity.

HempCo

HempCo, a Washington limited liability company, was formed on April 4, 2019. HempCo is New Leaf USA Entities' hemp division. The current platform involves an online eCommerce solution. All products are expected to be white-labelled through a third-party manufacturer and distributor and be branded as "Dama Hemp". It is anticipated that HempCo will initially offer full spectrum hemp extract in both capsule and tincture form. See "*Description of the Business*".

Agreements with License Holder

The Subsidiaries were formed to provide certain consulting, advisory, services and products to the License Holder. In connection with the Reorganization Transaction, the Subsidiaries, as applicable, signed the Equipment Lease Agreement, IP License Agreement, SubLease, and the Services Agreement with the License Holder to provide their services. In addition, New Leaf USA entered into the Option Agreement with the License Holder.

The License Holder is a licensed marijuana producer/processor in the State of Washington responsible for producing a wide-range of popular marijuana products including vape, oils, wax, pre-rolls, capsules and other edibles, as well as distribution of flower and trim in its processed form. The License Holder, a Washington corporation, was formed on March 15, 2013. All issued and outstanding shares of License Holder are owned by Robert Colwell and Boris Gorodnitsky.

Principal Products, Services, Markets and Distribution

Assuming successful completion of the Acquisition Transaction, the New Leaf USA Entities will be wholly-owned subsidiaries of the Corporation, and through which the Corporation will operate as an agricultural technology, services provider and property management company; in particular, the New Leaf USA Entities provide the Services, real property lease (the Facility), Equipment and IP for lease and other enhanced ancillary services to the License Holder.

The Corporation expects to generate returns from any or all of the following revenue sources: (i) operating support, consulting, licensing and advisory fees from service contracts with the License Holder; (ii) leasing the Facility and Equipment to the License Holder. Separately, New Leaf USA entered into the Option Agreement with the License Holder, pursuant to which New Leaf USA may purchase the underlying cannabis license of the License Holder, should the laws of Washington State change to allow non-resident owners of such license; and (iii) producing and selling hemp-based products.

The operating support, consulting, licensing and advisory services will be provided in the United States, through the New Leaf Entities.

Hemp-Based Products

The hemp-based products will be produced in a certified facility using high-grade Broad Spectrum Hemp Oil. All products and batches will be third party tested for purity and consistency. The prepared Broad Spectrum Hemp Oil is then either loaded into tincture bottles or liquid capsules (which are then packaged into a bottle). Sourcing the raw materials, their pricing, and availability is the responsibility of the private label manufacturer. Supply of tincture bottles or bottles for liquid capsules can be obtained from multiple sources. It is currently anticipated that HempCo products will be sold in all US states; however, selling jurisdictions will be based on and subject to regulatory requirements and approvals.

The products have been developed, tested and in the market for multiple years; they are established products with a large, existing white label business known as ION Labs. HempCo signed a warehouse and fulfillment agreement with ION effective June 14, 2019, which continues on a month-to-month basis, pursuant to which ION will provide direct-to-consumer order fulfillment services, including product processing, packaging and shipping, in exchange for fees ranging from approximately \$0.10 to \$0.75 per package.

The initial two hemp product SKUs will be a tincture and a bottle of liquid capsules, both of which will contain the same raw material, with the only difference being the packaging/delivery methodology; the different delivery methodology provides options to consumers. In particular, using a tincture allows sublingual absorption, following which the liquid is swallowed; this can be superior to a gastrointestinal introduction of the ingredient only. However, certain customers view the liquid capsules as a more convenient and discrete method to deliver the raw ingredient; it can also be less messy, produce less odour and provide a more concise dosage than the tincture method.

Once products are manufactured and labeled (currently anticipated to be labeled under the “Dama Hemp” brand), they are expected to remain in the ION Labs fulfillment warehouse, as the fulfillment centre. Sales data is expected to be electronically pushed to ION Labs fulfillment, following which it will pick and pack the products and ship them to the customer.

The products will be sold via an online platform. It is expected that E-Commerce sales will be initially ramped up through contract relationships with affiliate marketers and influencers. LinkPoint Consulting will provide social media marketing services to HempCo, including the management of an online platform and will also provide HempCo with content for informational campaigns aimed at educating potential customers and increasing brand awareness. LinkPoint Consulting has relationships with social media influencers that engaged to promote and sell HempCo products. As these relationships have an initial cost for client acquisition (via sales commissions), it is anticipated that re-marketing efforts and an incentivized recurring/subscription fulfillment model may improve margins following the first month of sale to a client.

Employees, Specialized Skill and Knowledge

As of the date of this prospectus, the Corporation has no employees and no independent contractors. The operations of the Corporation are managed by its directors and officers. However, pursuant to the Share Purchase Agreement, Boris Gorodnitsky and Robert Colwell will enter into the Vendor Employment Agreements with New Leaf USA.

As of the date of this prospectus, the New Leaf USA Entities have no employees and no independent contractors. In connection with the closing of the Acquisition Transaction, New Leaf USA will enter into the Vendor Employment Agreements with each of Mr. Colwell and Mr. Gorodnitsky. The provision of services by the New Leaf USA Entities will be dependent on the specialized knowledge and technical skill of Mr. Colwell and Mr. Gorodnitsky. In addition, upon completion of the Acquisition Transaction, the New Leaf USA Entities intend to add key hires in strategic areas such as cultivating, harvesting, production, sales and distribution. It is anticipated that these additional employees may be recruited from current

employees of the License Holder and managed by Mr. Colwell and Mr. Gorodnitsky. The required skills and knowledge to succeed in this industry will be available to the Corporation through these individuals working for ServicesCo, as well as members of the Corporation's management, directors, officers, and advisory teams.

Competitive Conditions

Financing for companies in the cannabis sector is more difficult than other sectors, particularly in the United States, due to the fact that cannabis is still classified as a Schedule I drug and illegal at a Federal level. The changing regulatory environment at a state level further complicates financing for companies in this sector.

The fast-growing market for legalized cannabis in both Canada and the U.S. has created a competitive environment for cannabis producers as well as other types of companies who provide goods and services to the cannabis industry. However, there remains a significant lack of traditional sources of bank lending and equity capital available to fund the operations of companies in the cannabis sector. Because of the rapid growth of the cannabis industry, the Corporation faces competition from other companies in the sector who are accessing the equity capital markets. See "*Risk Factors*".

Competitor Comparison

Competitor	Description of Business	Operations Location	Exchange
4Front Ventures Corp. (formerly Cannex Capital Holdings Inc.)	Delivers comprehensive solutions for developing, operating, branding, and supplying licensed cannabis cultivators and producers throughout the United States.	California; Washington, U.S.A.	(CSE:CNNX)
iAnthus Capital Holdings, Inc.	iAnthus was created to capitalize on the rapidly growing U.S. regulated cannabis market and the unique opportunity that exists for providing capital investment and expert management services ("value-added capital") to licensed cultivators, product manufacturers and dispensaries.	Florida; Maryland; Massachusetts; New Mexico; Nevada; New York; Oregon; Rhode Island; Vermont, U.S.A.	(CSE:IAN)
MPX Biocetical Corporation	Multinational diversified cannabis company focused on the medical and adult use cannabis markets. The company has a growing presence in the U.S. with imminent plans for ten dispensaries and four production facilities in four states. It also has a production facility under construction in Canada as well as a pending license application to Health Canada.	Arizona; Nevada; Massachusetts; Maryland, U.S.A.	(CSE:MPX)

Competitor	Description of Business	Operations Location	Exchange
CannaRoyalty Corp.	CannaRoyalty invests flexibly, assembling its platform of holdings via royalty agreements, equity interests, secured convertible debt, and licensing agreements in various businesses in the United States and Canada.	California; Washington; Arizona; Florida; Nevada, U.S.A. Canada	(CSE:OH)
Liberty Health Sciences Inc.	Acquire and operate U.S. – based companies in the medical cannabis market. Liberty is committed to delivering high-quality, clean and safe pharmaceutical grade cannabis to patients while optimizing returns to our shareholders.	Florida, U.S.A.	(CSE:LHS)
Terra Tech Corp.	Vertically integrated cannabis-focused agriculture company that is committed to cultivating and providing the highest quality medical cannabis and other agricultural products.	California; Nevada, U.S.A.	(OTCQX:TRTC)
1933 Industries Inc. (formerly Friday Night Inc.)	Owns and controls cannabis and hemp-based assets in Las Vegas Nevada as well as an international cannabis and mining security logistics consulting firm.	Nevada, U.S.A.	(CSE:TGIF)
Golden Leaf Holdings Ltd.	One of the largest cannabis oil and solution providers in North America and is a leading cannabis company in Oregon. With a product portfolio built around recognized brands, the Corporation strives to provide cannabis users with superior value and experience.	Oregon, U.S.A.	(CSE:GLH)

Economic Dependence

The New Leaf USA Entities have several contracts with License Holder which are integral to the business of each of EquipmentCo, IPCo, RealEstateCo, ServicesCo and HempCo. The Corporation is entirely dependent upon the existing licenses of the Licence Holder and in the event that such licenses are revoked and terminated, the Corporation may not be able to carry through with its business plan. See the terms of these contracts above under “General Description of the Business.”

Proprietary Protection

As of the date of this prospectus, the Corporation does not rely on trade secrets and proprietary knowledge. Following completion of the Acquisition Transaction, the Corporation will rely on the trade secrets and proprietary knowledge comprising the IP.

The Corporation's ability to successfully implement its business plan depends in part on its ability to obtain, maintain and build brand recognition using its trademarks, service marks, trade dress, domain names and other intellectual property rights, including the Corporation's names and logos. If the Corporation's efforts to protect its intellectual property are unsuccessful or inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Corporation's business and might prevent its brands from achieving or maintaining market acceptance.

Cycles

On an overall basis, the business is not considered cyclical or seasonal. Although the supply chain of hemp is slightly seasonal, as hemp crops do not grow in the winter, most manufacturers of scale, such as ION Labs, forecast raw materials with the goal of ensuring year round service/supply; they also procure hemp oil from other countries, where regulations and quality control permit, and where seasonal restrictions are not relevant due to a year-round growing climate. From a consumer standpoint, as hemp it is not used to treat seasonal afflictions, it is not anticipated that there would be significant seasonal purchasing variation.

Foreign Operations

The New Leaf USA Entities conduct their business in the State of Washington in the United States. Accordingly, following completion of the Acquisition Transaction, the Corporation's business operations will be primarily located in the State of Washington in the United States, via its then wholly-owned subsidiaries.

Bankruptcy and Similar Procedures

The Corporation has not been involved in any bankruptcy, receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings since incorporation or completed during or proposed for the current financial year. To the knowledge of the Corporation, none of the New Leaf USA Entities has been involved in any bankruptcy, receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings since incorporation or completed during or proposed for the current financial year.

License Holder History

License Holder was incorporated under the laws of the state of Washington on March 31, 2014. Since incorporation, the Corporation has been active in establishing strategic relationships towards executing the goal of acquiring assets and businesses in the cannabis industry. Below is a description of the principal business of License Holder over the past three years.

The License Holder's primary business consisted of sales of its internally cultivated flower ("**Dama Flower**" and "**Dama Pre-rolls**") and flower purchased from external farms ("**Weed Flower**") to retailers. Sales of cannabis oil, both to retailers ("**Dama Oil**") and to other processors ("**Bulk Oil**") also comprised a portion of the License Holder's revenue. Revenue is reported for the following periods:

- (i) Year ended December 31, 2017: \$2,344,231
- (ii) Year ended December 31, 2018: \$2,578,783

(iii) Nine-month period ended September 30, 2019: \$1,776,854

In 2017, the License Holder's sales remained relatively the same overall as compared to the prior year; however, on an individual product basis, there was variation in sales. License Holder's sales of Weed Flower to retailers was reduced and the distribution of both internally cultivated and externally purchased flower and trim to other processors was added ("**Bulk Flower and Bulk Trim**"). This resulted in a reduction in the License Holder's packaging and distribution costs, while maintaining its revenue. This transition is reflective of general changes in the Washington cannabis market, with processors beginning to source material through distribution channels, rather than directly from farms.

Revenue from Dama Oil and Bulk Oil decreased, which management of License Holder believes to be a result of the increased competition and market transition from crude oil to distillate. The License Holder acquired distillation capabilities late in 2017 and, as a result, began to recover of its position in this market segment. In November 2017, the License Holder introduced a line of vape cartridge products ("**Dama Vape**") that utilized this new distillate capacity.

Management of License Holder believes that reduction in the revenue from the License Holder's Dama Pre-rolls line is a result of industry-wide price decreases in this product segment.

In 2018, the License Holder's increase in overall revenue was driven primarily by the growth in the Dama Vape product line. The License Holder discontinued the sales of its internally cultivated material to other processors. All internally produced flower was converted into products for sale to retailers, while all internally produced trim was utilized for the manufacture of the License Holder's vape products. This change resulted in the increase in revenue from Dama Flower and Dama Vape and in the decrease in revenue from Bulk Flower and Bulk Trim. Revenues from Dama Oil and Bulk Oil lines continued to decline, which management of License Holder believes to be a result of increasing competition, downward price pressure and diversion of material to the Dama Vape line.

In 2019, the License Holder has seen continued growth in its Dama Flower, Dama Pre-rolls and Dama Vape product lines. In March 2019, the License Holder formed a manufacturing and distribution partnership with Winterlife Inc., a Washington state company that had an established product line that has since been discontinued. In May 2019, the License Holder and Winterlife Inc. introduced a new product line consisting of infused pre-rolls ("**Dama Infused Pre-rolls**").

Outdoor and greenhouse production of flower in Washington state declined steeply in 2018 and created a shortage of available materials in 2019. Management of License Holder believes this is a result of an attempt at correcting the previous oversupply of outdoor material that occurred in the previous years, leading to market consolidation and a number of cultivators reducing or discontinuing production. As a consequence, the License Holder was unable to procure sufficient material for its Weed Flower product line in early 2019, resulting in lower revenue during the first half of the year.

Principal Products, Services, Markets, Distribution and Employees

Lists of currently available and new products follow. All products will be produced at and distributed from the Facility. The License Holder will be limited to acquiring its raw materials from WSLCB licensed producers/processors. The number of such licensees is finite. As of September 11, 2019, there were less than 1,500 producer/processor licenses in the State of Washington. The raw materials will be acquired on the open market from licensed tier 1, 2 or 3 producer/processors. Market prices fluctuate based upon supply and demand and there is no guarantee that the License Holder will be able to acquire sufficient materials for its desired production at a low enough cost point. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of the License Holder. See "*Risk Factors*."

The License Holder currently has the following products, all of which are produced and distributed from the Facility:

- (i) Dama Premium – premium dried flower produced from plants cultivated at the Facility. Twelve strains are currently in production, and the License Holder continues to evaluate new strains. The product is available in 1g, 2g, 3.5g, 7g, and 14g packages.
- (ii) Dama Budlets – smaller dried flower produced from plants cultivated at Facility, utilizing the same strains as Dama Premium Flower. The product is available in 3.5g, 7g, and 14g packages.
- (iii) Dama Pre-rolls – pre-rolled cannabis cigarettes produced from internally cultivated material and purchased greenhouse material. A package contains two cigarettes, each containing 0.5g of material.
- (iv) Dama Infused Pre-rolls – pre-rolled cannabis cigarettes, additionally infused with cannabis distillate.
- (v) Dama Oil – ethanol-extracted concentrate produced from internally cultivated material and purchased greenhouse material. The product is available in 0.5g and 1g packages.
- (vi) Dama Vape – vape cartridges containing 1g and 0.5g of distillate and a variety of flavorings. The product uses a C-Cell type of vape cartridge.
- (vii) Dama Capsules – the capsules line consists of three products, representing three THC to CBD ratios:
 - (A) Stimulating - 10mg THC
 - (B) Calming - 10mg CBD, 10mg THC
 - (C) Comforting - 20mg CBD, 5mg THCEach package contains 10 capsules.
- (viii) Weed Flower – dried flower manufactured from material purchased from external outdoor and greenhouse producers. The product is available in 3.5g, 7g, 14g, and 28g packages.
- (ix) Winterlife – Products manufactured and distributed under agreement with Winterlife Inc.

In addition, the License Holder is in the process of creating new products that are comprised of soft caramels and hard caramels (which it anticipates launching in October 2019) and Spaceballs, a candy with a chewable centre surrounded by an infused coating (which it anticipates launching in December 2019).

License Holder is dependent on the IP provided by IPCo. See “*Description of Business – Proprietary Protection.*”

Currently, the License Holder has sale representatives that deliver product samples to retailers, that visit retailers to educate retailers’ staff regarding available products and that coordinate with retailers to conduct educational and marketing events for customers and staff (which such events typically feature a display booth with information on the License Holder’s products, and are typically combined with discounts on selected products).

The License Holder's retail products will be distributed directly to retailers holding a cannabis Retailer license in Washington state. Bulk products will be distributed directly to processors holding a cannabis Processor license in Washington state. The License Holder currently has 68 retailer accounts, with a range of approximately 45-55 accounts active per month. The License Holder's retail sales staff currently consists of a sales manager and one sales representative. The License Holder also employs one procurement and bulk sales representative responsible for purchasing and bulk sales of outdoor and greenhouse material to processors. Both retailers and bulk sales customers place orders directly through their respective account representatives via phone or email. Sales representatives deliver 80% of orders, with 20% of orders delivered by licensed transportation companies.

The Corporation's ability to successfully implement its business plan depends in part on IPCo's ability to obtain, maintain and build brand recognition using trademarks, service marks, trade dress, domain names and other intellectual property rights, including the names and logos. If IPCo's efforts to protect its intellectual property are unsuccessful or inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Corporation's business and might prevent its brands from achieving or maintaining market acceptance.

Foreign Operations

The License Holder does not have dependence on operations outside of the United States; however, the License Holder purchases vape cartridges from a Chinese supplier.

Other Matters

The License Holder's assets are subject to the same liens and charges filed against the Equipment in respect of unpaid taxes of the License Holder. Unless and until such encumbrances are satisfied and discharged in full, there is risk that the License Holder's assets could be subject to seizure or forfeiture. Any loss of such assets could have an adverse effect on the License Holder, and therefore, have an adverse effect on the Corporation's business, operating results and financial condition.

INDUSTRY AND REGULATORY OVERVIEW

The Corporation's flagship investments following completion of the Acquisition Transaction will be in Washington State; currently management expects the legal and regulatory regimes in the United States (on a federal level), Washington State, and Canada to be the most relevant to its business.

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 (Revised) *Issuers with U.S. Marijuana-Related Activities* ("**Staff Notice 51-352**") which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state's regulatory framework. All issuers with United States cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

Following completion of the Acquisition Transaction, the Corporation will be involved in activities that, according to Staff Notice 51-352, would categorize the Corporation as a U.S. Marijuana Issuer with ancillary involvement in the cultivation and distribution of cannabis in the State of Washington. As of the date this prospectus, the Corporation has no direct or indirect cannabis-related activity in the United States, and following completion of the Acquisition Transaction, will have no direct or indirect cannabis-related activity outside of the State of Washington. As a result of the Corporation's investments in the State of Washington, the Corporation will be subject to Staff Notice 51-352 and accordingly provides the following disclosure:

Assuming successful completion of the Acquisition Transaction, the Corporation, via its then wholly-owned subsidiaries, will operate in the United States as more specifically described below.

State	Companies	Type of Investment	Permitted Number of Facilities
Washington	New Leaf USA EquipmentCo IPCo RealEstateCo ServicesCo HempCo	100% Equity Ownership	N/A ¹

Notes:

- (1) Following completion of the Acquisition Transaction, the Corporation, through the New Leaf USA Entities, will hold the Assets, including real estate (the Facility) lease to the License Holder. The Facility is designed for cultivation and processing totalling approximately 30,000 square feet in Seattle, Washington as well as the Equipment, the IP and other tangible and intangible assets. The foregoing Assets are held by the New Leaf USA Entities, and are classified as “ancillary” involvement in the United States cannabis industry for the purpose of Staff Notice 51-352. The WSLCB regulates Washington’s marijuana regulatory program. Applicable regulation in Washington requires licensed operators and all shareholders to be resident of Washington and accordingly, the Corporation, as a publicly listed company, is unable at this time to acquire a direct license under Washington’s marijuana regulatory program. For further information on the License Holder in Washington see “*Legal and Regulatory Overview – Washington State – Washington Regulations*” below.

United States Federal Overview

In the United States, at the time of this prospectus, thirty-three states, Washington D.C. Puerto Rico, the U.S. Virgin Islands, and Guam have legalized medical marijuana, while eleven states and Washington D.C. have also legalized recreational marijuana. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the CSA. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remains illegal under United States federal.

Although federally illegal, the U.S. federal government’s approach to enforcement of such laws has, at least until recently, trended toward non-enforcement. On August 29, 2013, the DOJ issued the Cole Memorandum to all U.S. Attorneys’ offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly-regulated medical or recreational cannabis programs. The Cole Memorandum, while not legally binding, served as prosecutorial guidance, and laid a framework for managing the conflict between state and federal laws concerning state-regulated marijuana businesses.

However, on January 4, 2018 the Cole Memorandum was revoked by former Attorney General Jeff Sessions. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ’s guidance to U.S. Attorneys that state-regulated marijuana industries substantively in compliance with the Cole Memorandum’s guidelines should not be a prosecutorial priority.

In addition to his revocation of the Cole Memorandum, former Attorney General Sessions also issued a one-page memorandum known as the “Sessions Memorandum.” The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in so doing: the Cole Memorandum was “unnecessary” due to existing general enforcement guidance adopted in the 1980s, as set forth in the USAM. The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government’s limited resources, and include “law enforcement priorities set by the Attorney General,” the “seriousness” of the alleged crimes, the “deterrent effect of criminal prosecution,” and “the cumulative impact of particular crimes on the community.”

While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance and reiterates the statutory view that it is a “dangerous drug and that marijuana activity is a serious crime,” it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses. U.S. Attorneys may or may not elect to individually continue to exercise their discretion in a manner consistent with the Cole Memorandum’s guidance.

Current Attorney General William Barr stated during his confirmation hearing on January 15, 2018, that “my approach to this would be not to upset settled expectations and the reliant interests that have arisen as a result of the Cole memorandum.” He further testified to the Senate Appropriations Committee on April 10, 2019 that conflicting federal and state marijuana laws have created an “intolerable” situation for the Department of Justice. He testified that if there is no consensus for one uniform federal rule against marijuana, the way to go is to permit a more federalist approach so states can make their own decisions within the framework of the federal law.

The Strengthening the Tenth Amendment Through Entrusting States (STATES) Act, was proposed in the 115th United States Congress (June 7, 2018). It would have provided exemptions for “any person acting in compliance with State law relating to the manufacture, production, possession, distribution, dispensation, administration or delivery” of marijuana, effectively restoring the protections of the Cole Memorandum. It did not pass, but the STATES Act was reintroduced in the 116th Congress on April 4, 2019, in both the House and the Senate. The likelihood of its passage and being signed into law can not be predicted. Regardless, marijuana remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the production, sale, and disbursement of medical or recreational marijuana, even if state law sanctioned such production, sale, and disbursement.

The Agriculture Improvement Act of 2018 (the “2018 Farm Bill”) has altered the federal regulatory structure with respect to the production, processing and distribution of hemp and hemp-derived products. The 2018 Farm Bill defines “hemp” as any part, or derivative of, the *Cannabis sativa L.* plant containing less than 0.3 percent THC by weight. The 2018 Farm Bill also amends the Controlled Substances Act of 1970 by declassifying hemp as a Schedule I controlled substance and shifting its supervision from the DEA to the USDA.

The 2018 Farm Bill expressly preserves the FDA authority over hemp-derived products. The FDA has issued a statement (the “**FDA Statement**”) clarifying its position on CBD products following passage of the 2018 Farm Bill. The FDA Statement notes that the 2018 Farm Bill expressly preserves the FDA’s authority over hemp-derived products. The FDA Statement emphasizes that although hemp is no longer an illegal substance under federal law, the FDA continues to regulate hemp products under the Food, Drug, and Cosmetic Act (“**FD&C Act**”) and Section 351 of the Public Health Service Act. Therefore, any hemp-derived product marketed with a claim of therapeutic benefit must be approved by the FDA before it can be sold. The FDA Statement also confirms that the addition of CBD to food products and dietary supplements is unlawful. The FDA Statement clarifies that the FDA does not distinguish the substance’s source when exercising its regulatory authority, including whether a product originates from hemp or otherwise.

Additionally, under U.S. federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of marijuana or any other Schedule I controlled substance. Canadian banks are likewise hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy. Despite these laws, the U.S. Department of the Treasury issued the FinCEN Memorandum outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses. Under these guidelines, financial institutions must submit a SAR in connection with all marijuana-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These marijuana-related SARs are divided into three categories: (i) marijuana limited; (ii) marijuana priority; and (iii) marijuana terminated, based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated.

On the same day as the FinCEN Memorandum was published, the DOJ issued a further memorandum directing federal prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The Cole Memo and the subsequent DOJ memorandum regarding financial transactions have been rescinded as of January 4, 2018, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

However, the revocation of the Cole Memorandum and the subsequent DOJ memorandum regarding financial transactions has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. The FinCEN Memorandum appears to be a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact.

Enforcement of U.S. Federal Laws

For the reasons set forth above, the Corporation's future investments in the United States (including, without limitation, in connection with the Acquisition Transaction) may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Corporation may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Corporation's ability to invest in the United States or other jurisdiction.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Corporation could expand. Any inability to fully implement the Corporation's expansion strategy may have a material adverse effect on the Corporation's business, financial condition and results of operations.

Further, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Corporation, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Corporation to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may

be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

U.S. Enforcement Proceedings

The Cole Memorandum outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

However, as noted above, on January 4, 2018, the Cole Memorandum was revoked by Attorney General Sessions.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical cannabis industry remains in place, the Rohrabacher Blumenauer Amendment (originally the Rohrabacher Farr Amendment), has been included in federal annual spending bills since 2014. This amendment restricts the Department of Justice from using federal funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession or cultivation of medical cannabis.

Most recently, on February 15, 2019 the Rohrabacher Blumenauer Amendment was renewed as part of an omnibus spending bill in effect through September 30, 2019. President Trump added a signing statement in respect of the amendment that reads as follows: "Division C, section 537, provides that the Department of Justice may not use any funds to prevent implementation of medical marijuana laws by various States and territories. I will treat this provision consistent with the President's constitutional responsibility to faithfully execute the laws of the United States."

Compliance with Applicable State Law in the United States

To the Corporation's knowledge, the License Holder complies with applicable U.S. state licensing requirement as follows: (1) the License Holder is licensed, pursuant to Washington State law, to cultivate, possess, process and/or distribute marijuana and manufacture and/or distribute marijuana-derived products in such state; (2) renewal dates for such license are docketed by legal counsel and/or other advisors; (3) internal audits of the License Holder's business activities are conducted to ensure compliance with applicable state law; (4) each individual working within the Facility is provided with an employee handbook that outlines internal standard operating procedures in connection the cultivation, processing, and distribution of marijuana to ensure that all marijuana inventory and proceeds from the sale of such marijuana to licensed retailers is properly accounted for; (5) each room where marijuana inventory exists is monitored by video surveillance; (6) software is used to track marijuana inventory from seed to sale; and (7) the License Holder is contractually obligated to the New Leaf USA Entities to comply with applicable Washington State law in connection with the cultivation, processing, and/or distribution of marijuana.

The Corporation's United States legal counsel will also review, from time to time, the licenses and documents referenced above in order to confirm such information and identify any deficiencies.

To the Corporation's knowledge, the License Holder's license is in good standing for the cultivation, processing, and distribution of marijuana in Washington State, in compliance with the state marijuana regulatory program.

The Corporation has engaged United States legal counsel to advise the Corporation in connection with compliance with Washington law on an ongoing basis. The Corporation will continue to work closely with United States counsel to develop and improve its internal compliance procedures and will defer to their legal opinions and risk mitigation guidance regarding Washington's regulatory framework.

Continued Review of Changes in Law

To the Corporation's knowledge, aside from complying with Washington State law, the License Holder takes the following steps to ensure its marijuana operations are conducted in a manner consistent with the United States federal enforcement priorities articulated in the Cole Memorandum. Such enforcement priorities are to: (1) prevent revenue from marijuana from going to criminal enterprises, gangs, and cartels by conducting background checks on each owner of an licensee, employee, and/or prospective employee and by ensuring that all marijuana inventory and proceeds from the sale of such marijuana are properly accounted for and tracked; (2) prevent the diversion of marijuana from states where it is legal under state law (in some form) to other states by only dispensing marijuana through licensed dispensaries located in Washington state; (3) prevent state authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity by prohibiting the sale of any inventory other than marijuana inventory and accessories; (4) prevent violence and the use of firearms in the cultivation and distribution of marijuana by ensuring that each room marijuana inventory and/or proceeds from the sale of such inventory enters is monitored by video surveillance, prohibiting employees from bringing firearms on the premises, and ensuring that safes are used to store large amounts of proceeds from the sale of marijuana inventory; (5) prevent drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use by prohibiting the consumption of marijuana on the premises, prohibiting the usage of harmful pesticides on marijuana inventory, and testing marijuana inventory to confirm a lack of harmful pesticides and ideal cannabinoid levels; (6) prevent the growing of marijuana on federal lands and the attendant public safety and environmental dangers posed by unregulated marijuana production on federal lands by only cultivating, possessing, or dispensing marijuana on private property with all requisite licenses and permits to cultivate, possess, and/or distribute marijuana on such private property; and (7) prevent marijuana possession or use on federal property by only cultivating, possessing, and dispensing marijuana on private property with all requisite licenses and permits to cultivate, possess and/or distribute marijuana on such private property.

On January 4, 2018, the U.S. Department of Justice rescinded the Cole Memorandum.

The Corporation's United States legal counsel will review, from time to time, the License Holder's procedures with respect to the Cole Memorandum in order to confirm if its operations are conducted in a manner consistent with the guidelines noted in the Cole Memorandum. Despite the rescission of the Cole Memorandum, the U.S. Department of Justice continues to have discretion to enforce federal drug laws, which discretion remained when the Cole Memorandum was originally issued in 2013. In addition, the Corporation, along with its United States legal counsel and other professional advisors, will regularly monitor the activities of the Trump Administration for evidence and/or indications of current or anticipated cannabis policy and guidance, and the Corporation governs its actions accordingly.

Ability to Access Public and Private Capital

The Corporation has, and intends to continue to have, access to equity financing from the prospectus exempt (private placement) markets in Canada. On February 26, 2019, the Corporation has issued 12,000,000 Common Shares in an initial financing round for aggregate gross proceeds of \$600,000. In addition, following listing of the Common Shares on the CSE, the Corporation intends to access equity financing from the public market.

If such equity and/or debt financing was no longer available in the public markets in Canada due to changes in applicable law, then the Corporation expects that it would have access to raise equity and/or debt financing privately. Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Corporation when needed or on terms which are acceptable. The Corporation's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See "*Risk Factors*".

Financial Transactions

Certain financial institutions in Canada and the U.S. will not allow companies who generate funds from the sale of cannabis and cannabis related products to open bank accounts or process the transfer of funds from the sale of cannabis.

Specifically, the federal illegality of marijuana in the U.S. means that financial transactions involving proceeds generated by marijuana-related conduct can form the basis for prosecution under the money laundering statutes (18 U.S.C. § 1956 and 1957), the unlicensed money transmitter statute (18 U.S.C. § 1960), and the Bank Secrecy Act (the “**BSA**”). Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept their business. Banks who do accept deposits from marijuana-related businesses in the U.S. must do so in compliance with the FinCEN Memorandum. The FinCen Memorandum provides guidelines to banks on how to accept deposits from marijuana-related businesses while remaining compliant with the BSA. The Financial Crime Enforcement Network has not rescinded the FinCEN Memorandum following the U.S. Department of Justice’s January 4, 2018 announcement rescinding the Cole Memorandum.

As of March 31, 2019, the Financial Crime Enforcement Network reports that, nationwide, 493 banks and 140 credit unions are providing banking services to marijuana related businesses. In Washington State there are presently three banks and two credit unions that will open accounts for, and accept funds from, state licensed marijuana businesses. Following completion of the Acquisition Transaction, management expects to be able to transfer any funds owed to the Corporation by the Subsidiaries into bank accounts held by the Corporation outside of the United States. However, given the regulatory uncertainty with respect to banking and cannabis in the United States, such ability to transfer may be eliminated and/or hampered at any time. In the foreseeable future, the Corporation expects any amounts payable by the Subsidiaries to the Corporation to be paid to New Leaf USA or deployed in other investments in the United States. The Corporation expects to fund its operations through the Subsidiaries’ cash flow from operations. The Corporation may also consider future debt or equity financings.

Washington State Overview

The following sections present an overview of market and regulatory conditions for the marijuana industry in the State of Washington, and is presented as of August 1, 2019, unless otherwise indicated. Although the Corporation’s activities are classified as “ancillary” involvement in the United States cannabis industry and are expected to be compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Corporation of liability under United States federal law, nor provide a defense to any federal proceeding which may be brought against the Corporation.

Washington Regulations

Washington has authorized the cultivation, possession, processing, and retail sale of marijuana by certain licensed Washington businesses. The WSLCB regulates Washington’s marijuana regulatory program. The New Leaf Entities will not engage in marijuana business activities, or exercise control over the License Holder or any other licensed marijuana business. New Leaf USA is advised by legal counsel and/or other advisors in connection with its compliance with Washington’s marijuana regulatory program. New Leaf USA will only engage in transactions with Washington marijuana businesses that hold licenses in good standing and in compliance with Washington’s marijuana regulatory program. To the extent required by Washington’s marijuana regulatory program, to the Corporation’s knowledge, New Leaf USA and/or the Subsidiaries’ contractual relationship with Washington marijuana businesses has been fully disclosed to the WSLCB.

Upon exercise of the Option to purchase the underlying cannabis license of the License Holder, should the laws of Washington State change to allow non-resident owners of such license, the Corporation would be subject to the WSLCB licensing and regulatory program as described below.

i. Application and Licensing

The WSLCB is not currently accepting applications for licenses or issuing new licenses. There are currently no plans to reopen the window for the issuance of new licenses. The WSLCB has stated it has no plans to reopen the window for applying for a new license. Consequently, the only way to acquire a marijuana license in Washington State is to purchase an interest in a license that has already been issued. Doing so requires a WSLCB application to acquire, or be added to, the existing license. The requirements and process for acquiring or being added to an existing license are the same as if the applicant were applying for a new license, as below.

Every individual with an ownership or equity interest, with a right to receive a percentage of gross or net profits, or who exercises control over a licensed marijuana operator, must apply for licensing with the WSLCB and be approved. Each applicant must be over 21 years of age and a Washington resident.

An applicant must provide the WSLCB with the applicant's organizational and operational documents, including the entity's operating agreement and a detailed operating plan, in order to verify that the proposed business meets the minimum requirements for licensing.

An applicant must provide the WSLCB the applicant's financial statements to verify the source of funds for the business, including any acquisition agreements and any agreements for the development of an operating marijuana business, as well as financial documents verifying the source of funds for all purchases of, and material changes to, the business. An applicant must disclose any financiers which are providing funds to be used by the marijuana business, and such financiers, except banks and other financial institutions, are subject to a substantially similar application process through the WSLCB.

An applicant must provide the WSLCB the applicant's, and the applicant's spouse's, personal and criminal history, including fingerprints for the submission of a criminal records background check with the Washington State Patrol and the U.S. Federal Bureau of Investigation. Conviction for certain serious crimes, or over a certain amount of convictions for more minor crimes, may disqualify an applicant from holding a marijuana license.

Any change in the ownership of a cannabis entity must receive prior approval through the WSLCB and undergo a review of the same rigor and breadth as an initial application.

ii. Operations

An applicant must provide an operational plan that includes a detailed description of all applicable areas of: security; traceability; employee qualifications and training; transportation of product including packaging for transportation; destruction of waste product; description of growing operation including growing media, size of grow space allocated for plant production, space allocated for any other business activity, description of all equipment used in the production process, and a list of soil amendments, fertilizers, other crop production aids, or pesticides, utilized in the production process; description of the types of products to be processed with a complete description of all equipment including all cannabis-infused edible processing facility equipment and solvents, gases, chemicals and other compounds used to create extracts and for processing of marijuana-infused products; testing procedures and protocols; employee compensation and benefits data; description of packaging and labeling of products; and the array of products are to be sold and how are the products to be displayed to consumers.

Any change in the operational plan (e.g. adding volatiles processing capabilities, expanding the floorplan of the marijuana business, etc.) of a licensed cannabis entity must receive prior approval through the WSLCB, and undergoes a review of the same rigor and breadth as an initial application.

iii. Inspections

The WSLCB sends an enforcement officer to inspect each proposed marijuana facility prior to granting approval to begin authorized cultivation, processing, or dispensing. Licensed operators must permit WSLCB enforcement officers to inspect the premises, vehicles, records, and marijuana products at any time, and random inspections are conducted frequently by enforcement officers.

iv. Security Requirements

The WSLCB requires all licensed operators, employees, and non-employee visitors, other than retail customers, to display an identification badge at all times on the premises. Each licensed operator must keep a log of all visitors, other than retail customers, to the premises.

All premises must have a security alarm system on all perimeter entry points and perimeter windows. All premises must have a complete video surveillance system with minimum required camera resolution and a surveillance system storage device or internet protocol storage compatibility that: (a) records continuously for 24 hours per day, (b) has cameras in fixed places that allow for the clear identification of persons and activities in the controlled areas of the premises, including grow rooms, processing rooms, storage rooms, disposal rooms/areas and point of sale rooms, (c) has the capability of recording clear images and displays the time and date of the recording, (d) has the capability for retention of recordings for at least 45 days; and (e) has capability of recording clear images at night.

v. Traceability and Inventory Tracking

Washington requires use of a seed-to-sale tracking system. Licensed operators must use an inventory control system that identifies and tracks the plant from the time it reaches a height of six inches, through harvest, processing, packaging, wholesale, and retail sale. Licensed operators must also manifest and quarantine all marijuana to be delivered to another licensed operator, or destroyed as waste, for a period of at least 24 hours in order to allow for inspection by WSLCB enforcement officers. Vehicles transporting marijuana must have: (i) a vehicle security system, including separate, secure, locking compartment to store any marijuana product; and (ii) a transportation manifest reported through the seed-to-sale tracking system, including (a) the departure time, (b) name, location, address and license number of the originating licensed operator, (c) quantity and form of product to be delivered, (d) estimated time of arrival, and (e) name of the employee and identification of the vehicle delivering the product. Licensed operators must retain traceability records for three years and make records available upon request for inspection by the WSLCB or other law enforcement.

vi. Pricing and Prohibited Practices

Marijuana and marijuana products must be sold at a price indicative of true value. Licensed retailers may not sell marijuana products below the wholesale acquisition price of the product. Licensed marijuana producers and processors are prohibited from offering conditional sales, discounts, loans, rebates, free products, or any agreement that causes undue influence over another licensed operator.

vii. Testing

The WSLCB requires quality assurance testing for of each lot of final marijuana product be conducted by an independent, state certified, third-party testing laboratory, with a statistically significant number of samples, using acceptable methodologies to ensure that all lots manufactured of each marijuana product are adequately assessed for contaminants, and the cannabinoid profile is correctly labeled for consumers. The quality assurance tests required for marijuana flowers and infused products currently include moisture content, potency analysis, foreign matter inspection, microbiological screening, and residual solvent levels.

The results of the inspection and testing are submitted to the WSLCB through the traceability system. In conjunction with the Washington State Department of Agriculture, the WSLCB conducts random screening for pesticide residues. A lot of cannabis product may not move forward in processing, delivery,

or sale without a passing test for that lot reported by the independent lab itself into the traceability system. All test results are required to be provided to retailers and/or end consumers upon request.

viii. Packaging and Labelling

Each package containing marijuana, or a marijuana product, must have affixed a label including required warnings for all marijuana products and for the specific product type. The label must also include identifying information for the producer and retailer of the marijuana product. Each edible cannabis-infused product must be packaged in child-safe packaging and contain under 10 mg of active THC per serving. Licensed marijuana retailers must make testing results available to the customer upon request.

ix. Advertising

The WSLCB restricts advertising by licensee marijuana operators. Advertising in any form is prohibited within 1,000 feet of school grounds, playgrounds, recreation centers or facilities, child care centers, public parks, libraries, or game arcades with unrestricted admission. Advertising is also prohibited on public transit vehicles or transit shelters, and on any publicly owned or operated property. Advertising visible from a public roadway may only contain the name, location, and nature of the business. No advertising may target youth or use objects or images likely to be appealing to youth. All advertising, including digital advertising, must include required warnings prescribed by regulation.

x. Hemp Regulations.

Washington State has recently enacted SB 5276 for the regulation of commercial hemp production and processing in Washington State. Hemp production and processing in Washington State will be regulated by the WSDA, rather than the WSLCB. SB 5276 authorizes the WSDA to develop a new "Hemp Plan" to replace the current Industrial Hemp Research Pilot Program, hinging upon approval of the new Hemp Plan by USDA and its adoption by WSDA using an expedited rule-making process. The Washington State Hemp Plan, and the subsequent rules for its implementation, pending WSDA approval, are currently being developed.

Market Information, Trends, Commitments, Events and Uncertainties

The international cannabis industry continues to go through a period of strong growth as deregulation and increased consumer interest are poised to drive the market past USD\$30 billion by 2021¹.

Eleven states and the District of Columbia now allow for recreational cannabis use, and 33 states allow for medical cannabis use. Over the past five years, legalization has spread across the United States. The U.S. legal cannabis market was valued at USD\$11.9 billion in 2018, and is anticipated to expand at a CAGR of 24.1% from 2019 to 2025.²

Washington State cannabis industry generated revenues of USD\$534,064,362.85 in FY 2018 from reported sales in the cannabis industry.³

The most significant trends and uncertainties which management expects could impact its business and financial condition are (i) the changing legal and regulatory regime which regulates the production and sale of cannabis and cannabis related products; (ii) the ability of companies, who may receive funds from the sale of cannabis and cannabis related products, to adequately track and legally transfer such funds; and (iii) the ability of companies to raise adequate capital to carry out their business objectives. See "*Risk Factors*".

¹ Zhang, M. (2017, November 07). The Global Marijuana Market Will Soon Hit \$31.4 Billion But Investors Should Be Cautious. <https://www.forbes.com/sites/monazhang/2017/11/07/global-marijuana-market-31-billion-investors-cautious/#1370a8c97297>

² Grand View Research, Inc. (May, 2019). Legal Marijuana Market Size, Share & Trends Analysis Report By Type (Medical Cannabis, Recreational Cannabis), By Product Type, By Medical Application (Cancer, Mental Disorders), And Segment Forecasts, 2019 – 2025

<https://www.grandviewresearch.com/press-release/global-legal-marijuana-market>

³ <https://data.lcb.wa.gov/stories/s/WSLCB-Marijuana-Dashboard/hbnp-ia6v/> - FY runs July 1 to June 30

Future Developments

The Corporation will continue to evaluate the changing cannabis regulations and landscape within the United States and internationally in order to expand operations in opportune locations. The Corporation will also evaluate new technologies which may be utilized in the Corporation's facilities in the future. The Corporation does not currently intend to directly develop new technology itself.

CONSOLIDATED CAPITALIZATION

The following chart sets out the capitalization of the Corporation as at September 30, 2019:

	As at September 30, 2019	As at September 30, 2019 After Giving Effect to the Offering and the Acquisition Transaction
Shareholder Equity		
Share Capital	12,000,000	46,903,676 ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾
Common Shares (unlimited)	12,000,000	46,903,676 ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾
Preferred Shares (unlimited)	Nil	Nil
Warrants	12,000,000	26,800,000 ⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽⁸⁾
Awards	Nil	Nil

Notes:

- (1) Assuming Closing of the Offering in full, includes 20,000,000 Unit Shares comprising part of the Units issued pursuant to the Offering. See: "*Plan of Distribution*" and "*Description of Securities*".
- (2) Assuming Closing of the Offering in full, includes 9,000,000 Consideration Shares issued pursuant to the Acquisition Transaction.
- (3) Assuming Closing of the Offering in full, includes 3,658,676 Employment Shares issued pursuant to the Acquisition Transaction.
- (4) Assuming Closing of the Offering in full, includes 1,600,000 Common Shares comprising the 1,600,000 Agent Units and that no Units are sold to purchasers on the President's List.
- (5) Assuming that the Over-Allotment Option is not exercised.
- (6) Assuming Closing of the Offering in full, includes 10,000,000 Warrants comprising part of the Units issued pursuant to the Offering. See: "*Plan of Distribution*" and "*Description of Securities*".
- (7) Assuming Closing of the Offering in full, includes 4,000,000 Performance Warrants issued pursuant to the Acquisition Transaction.
- (8) Assuming Closing of the Offering in full, includes 800,000 Agent Warrants comprising the 1,600,000 Agent Units and that no Units are sold to purchasers on the President's List.

There have been no material changes in the share capitalization or in the indebtedness of the Corporation since September 30, 2019, the date of the Corporation's most recent interim financial statements, except the following:

- (a) Subsequent to September 30, 2019, the Company issued:
 - (i) 250,000 Options to each of Chris Cooper and Don Currie, with each option exercisable to acquire one Common Share at a price of \$0.25, for a period of five years; one quarter of the Options will vest every six months, with the first quarter vesting on the grant date;
 - (ii) 500,000 Common Shares to Mike Stier, in settlement of 500,000 fully-vested RSRs granted to Mike Stier on the same date;
- (b) Subsequent to September 30, 2019, the Company settled a \$36,250 loan payable by the issuance of 145,000 Common Shares on December 12, 2019; and

(c) Subsequent to September 30, 2019, the Company settled a \$94,500 loan payable by the issuance of 378,000 Common Shares on December 12, 2019.

USE OF AVAILABLE FUNDS

Proceeds and Funds Available

In respect of the Offering, the Corporation estimates to receive aggregate net proceeds of \$4,168,500, after deducting the Agent's Commission and the Agent's Fee and the estimated expenses of the Offering (assuming that the Over-Allotment Option is not exercised) (the "**Total Funds Available**").

Source of Funding	Amount (CDN\$)
Gross Proceeds of the Offering	\$5,000,000
Agent's Commission ⁽¹⁾	(\$400,000)
Agent's Fee	(\$31,500)
Expenses and costs relating to the Offering (including this prospectus) ⁽²⁾	(\$400,000)
Net Proceeds of the Offering	\$4,168,500
Total Funds Available	\$4,168,500

Notes:

- (1) Assumes that no Units are sold to purchasers on the President's List.
- (2) Estimated costs includes costs of: (i) the Agent (including legal costs); (ii) legal counsel to the Corporation; (iii) the auditors with respect to the preparation and audit of the audited financials for the Corporation, the License Holder and the New Leaf USA Entities, and preparation and review of the interim financial statements and pro-forma financial statements and management's discussion and analysis; (iv) securities commission and SEDAR filing fees; and (v) other similar incidental costs relating to the foregoing.

Principal Purposes

The Corporation intends to use the Total Funds Available as follows (assuming that the Over-Allotment Option is not exercised):

Use of Proceeds	Approximate Amount (CDN\$)
Payments under IP Promissory Note	\$783,504 ⁽¹⁾⁽²⁾⁽³⁾
Payments under Equipment Promissory Note	\$463,998 ⁽¹⁾⁽²⁾⁽³⁾
Facility expansion	\$815,000
National hemp roll-out	\$350,000
Marketing plan	\$230,000
General and administrative costs	\$350,000 ⁽⁴⁾
Non-cannabis inventory and supply items	\$300,000 ⁽⁵⁾
Human capital	\$550,000 ⁽⁶⁾
Miscellaneous fees	\$50,000 ⁽⁷⁾
Unallocated working capital	\$275,998
Total	\$4,168,500

Notes:

- (1) The New Leaf USA Entities acquired the Assets through the Reorganization Transaction involving the License Holder. In particular, in connection with the Reorganization Transaction, among other things, the License Holder assigned the Equipment to EquipmentCo effective October 1, 2019, in exchange for the Equipment Promissory Note in the amount of USD\$769,871 and assigned the IP to IPCo effective October 1, 2019, in exchange for the IP Promissory Note in the amount of USD\$1,300,000. The Equipment is subject to encumbrances in the form of liens and other charges filed. To address this, the License Holder has agreed that any amounts payable under the Equipment Promissory Note and the IP Promissory Note, pursuant the terms of the Equipment Escrow Agreement and IP Escrow Agreement, will be first applied to satisfy and discharge the liens and charges on the Equipment in respect of unpaid taxes of the License Holder.
- (2) Calculated based on an exchange rate of US\$1.00 equals Cdn\$1.32. Both the IP and Equipment portions of the proposed use of proceeds were calculated based on quarterly payments of US\$148,390 (IP) and US\$87,878 (Equipment) and converted to Canadian dollars.
- (3) This amount reflects the first four quarterly payments.
- (4) This amount includes legal fees of \$113,656, auditor fees of approximately \$20,000 and accountant fees of approximately \$80,000.
- (5) The Corporation anticipates these funds will be used to purchase non-cannabis related inventory and supplies, through EquipmentCo, that can be sold or leased to the License Holder including packaging materials, non-cannabis product components such as ingredients for edibles and vape cartridges, various other supplies for cultivation, processing and the extraction lab and commercial kitchen equipment.
- (6) The Corporation anticipates these funds will be used to pay director fees, employee salaries and consulting fees.
- (7) The Corporation anticipates these funds will be used to pay lease, licensing, utilities, facilities and maintenance fee payments.

The Corporation intends to use the funds available to it as stated above. If the Over-Allotment Option is exercised, the Corporation will use the proceeds thereof for general working capital and corporate purposes, which will be expended at the discretion of management. There may be circumstances however, where, for sound business reasons, a reallocation of funds may be necessary. Due to the uncertain nature of the cannabis industry, projects may be frequently reviewed and reassessed. Accordingly, while it is currently the intent of Management that the available funds will be expended as set forth above, actual expenditures may in fact differ from these amounts and allocations.

The Corporation had negative operating cash flow for its most recent interim financial period and financial year. To the extent the Corporation has negative cash flows in future periods, the Corporation may use a substantial portion of its general working capital to fund such negative cash flow. See "Risk Factors – Negative cash flow for the period ended September 30, 2019."

Business Objectives and Milestones

The principal business objective of the Corporation is to build core operating assets. Accordingly, the first priorities to achieve this objective are to complete the Closing of the Offering and subsequently complete the closing of the Acquisition Transaction.

Facility Expansion

The Corporation also sees an opportunity to expand on the Facility through the New Leaf USA Entities, particularly RealEstate Co and EquipmentCo, by building out the currently unfinished 13,000 sq. ft space and constructing (i) a drying, curing and trimming operation; (ii) commercial kitchen; and (iii) a packaging section for flow wrapper, label printing and flower scale/bag filling, as further described below.

Drying, Curing, and Trimming Facility

The Corporation, through the New Leaf USA Entities, particularly RealEstateCo and EquipmentCo, plans to build a dedicated drying, curing, and trimming facility at the Facility, aimed at creating capacity for processing by the License Holder of up to 15,000 kg of material per year. The drying, curing, and trimming facility will be built by RealEstateCo and leased to License Holder and the equipment for drying,

curing, and trimming will be purchased by EquipmentCo and leased to the License Holder. It is anticipated that construction of this facility will cost approximately \$90,000 and is targeted to be completed in early 2020.

Commercial Kitchen

The Corporation, through the New Leaf USA Entities, particularly RealEstateCo and EquipmentCo, plans to build a commercial kitchen at the Facility, aimed at creating capacity for manufacturing by the License Holder of edible products. The commercial kitchen will be built by RealEstateCo and leased to License Holder and the commercial kitchen equipment will be purchased by EquipmentCo and leased to the License Holder. It is anticipated that the construction of the commercial kitchen will cost approximately \$400,000 and is targeted to be completed by the end of February 2020.

Extraction Lab

The Corporation, through the New Leaf USA Entities, particularly RealEstateCo and EquipmentCo, plans to build a high-volume extraction facility at the Facility, with the aim to enable production by the License Holder of large volume distillate for use in products and for sale to other processors. The extraction lab facility will be built by RealEstateCo and leased to License Holder and the extraction equipment will be purchased by EquipmentCo and leased to the License Holder. It is anticipated that the construction of the extraction facility will cost approximately \$165,000 and is targeted to be completed in late 2020.

Packaging Upgrades

The Corporation, through the New Leaf USA Entities, particularly RealEstateCo and EquipmentCo, plans to upgrade the packaging capabilities of the Facility; upgrades are expected to include: flow wrapper, label printing and automated flower scale and bag filler. The packaging expansion will be built by RealEstateCo and leased to License Holder and the packaging equipment will be purchased by EquipmentCo and leased to the License Holder. It is anticipated that the packaging upgrades will cost approximately \$160,000 and is targeted to be completed late 2019.

National Hemp Rollout

The Corporation also intends to increase brand presence through the rollout of its hemp division. The current platform involves an online eCommerce solution. The platform has been created and pricing and packaging has been established. In addition, the relationship with ION Labs fulfillment centre is being prepared for final electronic integration, a call centre has been hired, and HempCo is in final the stages of approval with a credit card processing solution. HempCo anticipates launching the online eCommerce solution by the end of the third-quarter/beginning of the fourth quarter of 2019. All hemp products are expected to be white-labelled through a third-party manufacturer and distributor (ION Labs) that is anticipated to be branded as "Dama Hemp". Initially, the Corporation intends to offer two products, which include broad spectrum hemp extract in both capsule and tincture form. Depending on sales of these two initial products, HempCo may consider launching additional SKUs in the future. HempCo signed a Warehouse and Fulfillment Agreement with ION effective June 14, 2019, pursuant to which ION will provide direct-to-consumer order fulfillment services on a month-to-month basis.

LinkPoint Consulting will provide social media marketing services to HempCo, including the management of an online platform and will also provide HempCo with content for informational campaigns aimed at educating potential customers and increasing brand awareness. LinkPoint Consulting has relationships with social media influencers that engaged to promote and sell HempCo products. It is anticipated that the rollout of the hemp division will cost approximately \$500,000.

Marketing Plan

The Corporation, through the New Leaf USA Entities, particularly ServicesCo, provides advertising, marketing and promotion services for the License Holder, including videos, pop-up events, online campaigns and other efforts to promote business development. It is anticipated that the remaining marketing budget (of approximately \$230,000) will be used for these purposes.

Sourcing out of State Acquisitions

In addition, part of the Corporation's focus over the next 12 months will be dedicated towards exploring new markets where it is able to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry. Following completion of the Acquisition Transaction, the Corporation may build upon this recent acquisition by continuing to identify strategic investments and partnerships to expand the Corporation's business.

The Corporation also recognizes that it may, from time to time, be required to comply with regulatory bodies. The Corporation will ensure that it understands the requirements of each market in which it operates and will maintain and develop protocols to address compliance. Finally, the Corporation endeavours to develop and maintain the appropriate financial processes to provide transparency to shareholders.

While the Corporation, through the New Leaf USA Entities, intends to pursue these milestones, there may be circumstances where, for valid business reasons, a re-allocation of efforts may be necessary or advisable.

Other Sources of Funding

There are no other sources of funding.

DIVIDEND POLICY

The Corporation has not declared dividends on any of its shares in the past and does not intend to pay any in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board of Directors and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends and any other factors that the Board of Directors deems relevant.

SUMMARY OF FINANCIAL INFORMATION

The following selected financial information has been derived from and is qualified in its entirety by the Corporation's financial statements (included as Schedule A to this prospectus) and the License Holder's financial statements (included as Schedule B to this prospectus) and should be read in conjunction with the respective management's discussion and analysis thereto, attached at Schedule A and Schedule B, respectively, to this prospectus.

	License Holder for the Year Ended December 31, 2018 (Audited) US\$	License Holder for the Nine Months Ended September 30, 2019 (Unaudited) US\$	Corporation for Period from Incorporation to December 31, 2018 (Audited) CDN\$	Corporation for the Nine Months Ended September 30, 2019 (Unaudited) CDN\$
Revenue	\$2,578,783	\$1,776,854	\$nil	\$nil
Total expenses	\$3,774,268	\$2,129,921	\$36,250	\$845,266
Net loss	(\$1,195,485)	(\$353,067)	(\$36,250)	(\$845,266)
Current assets	\$772,643	\$892,238	\$1	\$78,397
Total assets	\$1,501,961	\$3,654,947	\$1	\$78,397
Current liabilities	\$3,009,928	\$3,713,743	\$36,250	\$415,662
Total liabilities	\$3,028,716	\$5,578,955	\$36,250	\$415,662
Shareholders' equity (deficiency)	(\$1,526,755)	(\$1,924,008)	(\$36,249)	\$337,265

The following table sets out selected unaudited pro forma financial information at and for the periods indicated. The following is a summary only and must be read in conjunction with the financial statements and pro forma financial statements set out on the Schedules to this prospectus.

The unaudited pro forma consolidated financial statements of the Corporation included in this prospectus and the following selected pro forma financial information are presented for illustrative purposes only and are not necessarily indicative of: (i) the financial results that would have occurred had the Acquisition Transaction actually occurred at the times contemplated by the notes to the unaudited pro forma consolidated financial statements of the Corporation; or (ii) the results expected in future periods.

	Unaudited pro forma as at September 30, 2019 CDN\$	Unaudited pro forma as at and for the period ended December 31, 2018 CDN\$
Revenue	\$3,746,160	\$2,949,320
Total operating expenses	\$2,188,827	\$1,243,916
Net income	\$1,557,333	\$1,705,404

	Unaudited pro forma as at September 30, 2019 CDN\$
Current assets	7,487,818
Total assets	15,686,853
Current liabilities	1,248,672
Total liabilities	5,956,569
Shareholders' equity	9,730,284

Management's discussion and analysis of (a) the Corporation for the period from the date of incorporation, June 4, 2018 to December 31, 2018, the nine-month period ended September 30, 2019 (b) the License Holder for the years ended December 31, 2018 and 2017, the nine-month period ended September 30, 2019 and 2018, are each attached to this prospectus at Schedules "A" and "B", respectively. The MD&A should be read in conjunction with the financial statements and the accompanying notes thereto included in this prospectus. Certain information contained in this MD&A constitutes forward-looking statements. These statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward looking statements. See "*Forward-Looking Statements*" and "*Risk Factors*".

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares. As of the date of this prospectus, there are approximately 13,023,000 Common Shares and no Preferred Shares issued and outstanding.

Common Shares

Holders of the Common Shares are entitled to one vote per share at all meetings of the shareholders of the Corporation either in person or by proxy. The holders of Common Shares are also entitled to dividends, if and when declared by the directors of the Corporation and the distribution of the residual assets of the Corporation in the event of a liquidation, dissolution or winding up of the Corporation. The voting, dividend and liquidation rights of the holders of Common Shares are subject to, and qualified by,

the rights, privileges, restrictions and conditions attaching to the Preferred Shares and the Restricted Shares.

The Common Shares rank equally as to all benefits which might accrue to the holders thereof, including the right to receive dividends, voting powers, and participation in assets and in all other respects, on liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other disposition of the assets of the Corporation among its shareholders for the purpose of winding up its affairs after the Corporation has paid out its liabilities. The Common Shares are not subject to call or assessment rights or any pre-emptive or conversion rights. There are no provisions for redemption, purchase for cancellation, surrender or purchase of funds.

Warrants

The 10,000,000 Warrants comprising part of the Units issuable in connection with the Offering will be issued pursuant to the Warrant Indenture. The following summary of certain provisions of the Warrant Indenture does not purport to be complete and is subject in its entirety to the detailed provisions of the Warrant Indenture, a copy of which has been filed on SEDAR and will be available without charge from the Corporation after such time. A register of Warrant holders will be maintained at the principal offices of Odyssey in Vancouver, British Columbia.

Each Warrant shall entitle the holder thereof to acquire, subject to adjustment in certain circumstances, one Warrant Share at an exercise price of \$0.40 until the Expiry Date, subject to the Early Expiry Date.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including: (i) the issuance of Common Shares or securities exchangeable for, or convertible into, Common Shares to all or substantially all of the holders of Common Shares by way of distribution or stock dividend (other than a distribution of Common Shares upon the exercise of warrants or stock options); (ii) the subdivision, redivision or change of the outstanding Common Shares into a greater number of Common Shares; (iii) the reduction, combination or consolidation of the outstanding Common Shares into a smaller number of Common Shares; (iv) the fixing of a record date for the distribution to all or substantially all of the holders of the outstanding Common Shares of rights, options or warrants under which such holders are entitled, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the current market price, for the Common Shares on such record date; and (v) the fixing of a record date for the issuance or distribution to all or substantially all of the holders of the outstanding Common Shares of (a) securities of any class, whether of the Corporation or any other person (other than Common Shares), (b) rights, options or warrants to subscribe for or purchase Common Shares (or other securities convertible into or exchangeable for Common Shares), other than pursuant to a Rights Offering; (c) evidences of its indebtedness, or (d) any property or other assets.

The Warrant Indenture will provide for adjustments in the class and/or number of securities issuable upon exercise of the Warrants and/or exercise price per security in the event of the following additional events: (i) reclassifications of the Common Shares or a capital reorganization other than as described above; or (ii) consolidations, amalgamations, plan of arrangements, mergers or other business combination of the Corporation with or into another entity (other than a consolidation, amalgamation, plan of arrangement or merger which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares).

The Corporation will covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to holders of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such event.

No fractional Warrant Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants do not have any voting or preemptive rights or any other rights that a holder of Common Shares would have.

From time to time, the Corporation and Odyssey, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by “extraordinary resolution”, which is defined in the Warrant Indenture as a resolution either: (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 10% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66 $\frac{2}{3}$ % of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution; or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66 $\frac{2}{3}$ % of the aggregate number of all the then outstanding Warrants.

None of the Units, Unit Shares, Warrants or Warrant Shares issuable upon the exercise of the Warrants have been or will be registered under the U.S. Securities Act, and they may not be transferred except: (i) to the Corporation; (ii) outside the United States in accordance with Rule 904 of Regulation S under the U.S. Securities Act; (iii) in accordance with the resale exemption from registration under the U.S. Securities Act provided by Rule 144A (“Rule 144A”) thereunder, or other similar applicable resale exemption, if available, and in compliance with any applicable state securities laws; or (iv) in a transaction that does not require registration under the U.S. Securities Act. In the case of (iii) and (iv), the holder of such Warrant must furnish to the Corporation and Odyssey an opinion of counsel of recognized standing in form and substance satisfactory to the Corporation and Odyssey. The Warrants may not be exercised by any U.S. Person, any person in the United States or any person for the account or benefit of a U.S. Person or person in the United States.

OPTIONS TO PURCHASE COMMON SHARES

Equity Incentive Plan

As of the date of this prospectus, the following Awards have been issued by the Corporation under its Equity Incentive Plan:

<u>Date of Issuance</u>	<u>Type of Award</u>	<u>Exercise Price per Security (\$)</u>	<u>Number of Securities</u>
November 14, 2019	RSRs ⁽¹⁾	N/A	500,000
November 14, 2019	Options ⁽²⁾	\$0.25	500,000

Notes:

- (1) Fully-vested RSRs were granted in lieu of \$125,000 in consulting fees owing to Mike Stier, and settled by the issuance of 500,000 Common Shares on November 14, 2019.
- (2) Each option is exercisable to acquire one Common Share at a price of \$0.25, for a period of five years; one quarter of the Options will vest every six months, with the first quarter vesting on the grant date.

Overview

The following summary of certain provisions of the Equity Incentive Plan does not purport to be complete and is subject in its entirety to the detailed provisions of the Equity Incentive Plan, a copy of which has been filed on SEDAR and will be available without charge from the Corporation after such time.

The Equity Incentive Plan provides for the grant to eligible directors and employees (including officers) of Options and RSRs. The Equity Incentive Plan also provides for the grant to eligible directors of DSU which the directors are entitled to redeem for 90 days following retirement or termination from the Board.

Stock Options

Option Grants

The Equity Incentive Plan authorizes the Board to grant Options. The number of Common Shares, the exercise price per Common Share, the vesting period and any other terms and conditions of Options granted from time to time pursuant to the Equity Incentive Plan, are determined by the Board at the time of the grant, subject to the defined parameters of the Equity Incentive Plan. The date of grant for the Options shall be the date such grant was approved by the Board.

Exercise Price

The exercise price of any Option cannot be less than the closing market price of the Common Shares on (a) the trading day prior to the date of grant of the Award; and (b) the date of grant of the Award (the “**Fair Market Value**”).

Exercise Period, Blackout Periods and Vesting

Options are exercisable for a period of five years from the date the Option is granted or such greater or lesser period as determined by the Board. Options may be earlier terminated in the event of death or termination of employment or appointment. Vesting of Options is determined by the Board. Failing a specific vesting determination by the Board, Options automatically become exercisable incrementally over a period of eighteen months from the date of grant, as to: (i) 25% of the total number of shares under Option immediately upon the date of grant; and (ii) at each six-month interval thereafter, an additional 25% of the total number of shares under Option such that after the 18th month of the Option period, 100% of the Option will be exercisable. The right to exercise an Option may be accelerated in the event a takeover bid in respect of the Common Shares is made.

When the expiry date of an Option occurs during, or within ten (10) days following, a “blackout period”, the expiry date of such Option is deemed to be the date that is ten (10) days following the expiry of such blackout period. Blackout periods are imposed by the Corporation to restrict trading of the Corporation’s securities by directors, officers, and certain others who hold Options to purchase Common Shares, in accordance with any similar policies in effect from time to time, in circumstances where material non-public information exists, including where financial statements are being prepared but results have not yet been publicly disclosed.

Cashless Exercise Rights

Provided the Common Shares are listed on an Exchange (as defined in the Equity Incentive Plan), an optionee has the right to exercise an Option on a “cashless” basis by electing to relinquish, in whole or in part, the right to exercise such Option and receive, in lieu thereof, a number of fully paid Common Shares. The number of Common Shares issuable on the cashless exercise right is equal to the quotient obtained by dividing the difference between the aggregate Fair Market Value and the aggregate Option price of all Common Shares subject to such Option by the Fair Market Value of one (1) Common Share.

Termination or Death

If an optionee dies while employed by the Corporation, any Option held by him or her will be exercisable for a period of 12 months or prior to the expiration of the Options (whichever is sooner) by the person to whom the rights of the optionee shall pass by will or applicable laws of descent and distribution. If an optionee is terminated for cause, no Option will be exercisable unless the Board determines otherwise. If

an optionee ceases to be employed or engaged by the Corporation for any reason other than cause, then the Options will be exercisable for a period of 12 months or prior to the expiration of the Options (whichever is sooner).

RSRs

RSR Grant

The Equity Incentive Plan authorizes the Board to grant RSRs, in its sole and absolute discretion, to any eligible employee or director. Each RSR provides the recipient with the right to receive Common Shares as a discretionary payment in consideration of past services or as an incentive for future services, subject to the Equity Incentive Plan and with such additional provisions and restrictions as the Board may determine. Each RSR grant shall be evidenced by a restricted share right grant letter which shall be subject to the terms of the Equity Incentive Plan and any other terms and conditions which the Board deems appropriate.

Vesting of RSRs

Concurrent with the granting of the RSR, the Board shall determine the period of time during which the RSR is not vested and the holder of such RSR remains ineligible to receive Common Shares. Such period of time may be reduced or eliminated from time to time for any reason as determined by the Board. Once the RSR vests, the RSR is automatically settled through the issuance of an equivalent number of underlying Common Shares as RSRs held. Participants who are resident in Canada for the purposes of the Tax Act may elect to defer some or all of any part of the Common Share grant until one or more later dates.

Retirement or Termination

In the event the participant retires or is terminated during the vesting period, any RSR held by the participant shall be terminated immediately provided however that the Board shall have the absolute discretion to accelerate the vesting date. In the event of death or total disability, the vesting period shall accelerate and the Common Shares underlying the RSRs shall be issued.

DSUs

DSU Grant

The Equity Incentive Plan authorizes the Board to grant DSUs, in its sole and absolute discretion in a lump sum amount or on regular intervals to eligible directors. Each DSU grant shall be evidenced by a DSU grant letter which shall be subject to the terms of the Equity Incentive Plan and any other terms and conditions which the Board deems appropriate.

Vesting of DSUs

Each eligible director shall be entitled to redeem their DSUs during the period commencing on the business day immediately following the date such director ceases to hold any directorship and ending on the 90th day following such date by providing written notice of redemption to the Corporation. Upon redemption, the director shall be entitled to receive (subject to any share issuance limits in the Plan), the number of Common Shares equal to the number of DSUs in the director's account. If the director ceases to hold office during a year where DSUs have been granted in advance of being earned and they have not held office for the entire year, the director will only be entitled to a pro-rated issuance of shares.

Provisions applicable to all grants of Awards

Transferability

Pursuant to the Plan, any Awards granted to a participant shall not be transferable except by will or by the laws of descent and distribution. During the lifetime of a participant, Awards may only be exercised by the Participant.

Amendments to the Plan

The Board may amend, suspend or terminate the Equity Incentive Plan or any Award granted under the Equity Incentive Plan without shareholder approval, including, without limiting the generality of the foregoing: (i) changes of a clerical or grammatical nature; (ii) changes regarding the persons eligible to participate in the Plan; (iii) changes to the exercise price; (iv) vesting, term and termination provisions of Awards; (v) changes to the cashless exercise right provisions; (vi) changes to the authority and role of the Board under the Plan; and (vii) any other matter relating to the Equity Incentive Plan and the Awards granted thereunder, provided however that:

- (a) such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the Corporation's shares are listed;
- (b) no amendment to the Equity Incentive Plan or to an Award granted thereunder will have the effect of impairing, derogating from or otherwise adversely affecting the terms of an Award which is outstanding at the time of such amendment without the written consent of the holder of such Award;
- (c) the terms of an Option will not be amended once issued; and
- (d) the expiry date of an Option shall not be more than ten (10) years from the date of grant of such Option, provided, however, that at any time the expiry date should be determined to occur either during a blackout period or within ten business days following the expiry of a blackout period, the expiry date of such Option shall be deemed to be the date that is the tenth business day following the expiry of the blackout period.

If the Equity Incentive Plan is terminated, the provisions of the Equity Incentive Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force on the date of termination will continue in effect as long as any Award pursuant thereto remain outstanding.

Share Issuance Limits

The aggregate number of Common Shares that may be subject to issuance under the Equity Incentive Plan, together with any other securities-based compensation arrangements of the Corporation, shall not exceed 15% of the Corporation's issued and outstanding share capital from time to time.

Performance Warrants

Upon completion of the Acquisition Transaction, the Corporation will issue the Performance Warrants to the Vendors. Each Performance Warrant will entitle the holder thereof to purchase one Common Share at the price of \$0.02 per Common Share for a period of three years, and will vest and become exercisable as follows: (i) if either the License Holder or the Corporation (or any successor thereof) achieves at least CDN\$5,000,000 in annual gross revenue, 2,000,000 (as to 1,000,000 per Vendor) Performance Warrants will vest and become exercisable; and (ii) if either the License Holder or the Corporation (or any successor thereof) achieves at least CDN\$ 7,500,000 in annual gross revenue, the remaining 2,000,000 (as to 1,000,000 per Vendor) Performance Warrants will vest and become exercisable.

PP Warrants

On February 26, 2019, in connection with the Corporation's initial non-brokered private placement of PP Units, the Corporation issued 12,000,000 PP Warrants, with each PP Warrant entitling the holder thereof to purchase one additional PP Warrant Share at a price of \$0.05 per PP Warrant Share until February 26, 2021.

PRIOR SALES

The following table summarizes details of the securities issued by the Corporation during the 12-month period prior to the date of this prospectus.

Date of Issuance	Description of Transaction	Price/Exercise Price per Security (\$)	Number of Securities
February 26, 2019	Issuance of PP Units ⁽¹⁾	\$0.05	12,000,000
November 14, 2019	Settlement of fully vested RSRs ⁽²⁾	\$0.25	500,000
November 14, 2019	Issuance of Options ⁽³⁾	\$0.25	500,000
December 12, 2019	Issuance of Common Shares for debt ⁽⁴⁾	\$0.25	145,000
December 12, 2019	Issuance of Common Shares for debt ⁽⁵⁾	\$0.25	378,000

Notes:

- (1) Each PP Unit consists of one PP Unit Share and one PP Warrant.
- (2) Settlement of 500,000 fully-vested RSRs, which such RSRs were granted in lieu of \$125,000 in consulting fees owing to Mike Stier.
- (3) Issuance 250,000 Options to each of Chris Cooper and Don Currie, with each option exercisable to acquire one Common Share at a price of \$0.25, for a period of five years; one quarter of the Options will vest every six months, with the first quarter vesting on the grant date.
- (4) Issuance of Common Shares to settle outstanding debt owing to Ferrous Capital Corporation, pursuant to a debt settlement agreement dated December 12, 2019.
- (5) Issuance of Common Shares to settle outstanding debt owing to LinkPoint Consulting, in connection with the July 2019 Agreement and pursuant to a debt settlement agreement dated December 12, 2019.

TRADING PRICE AND VOLUME

The Common Shares were not traded on any market or exchange in since the period from incorporation the date of this prospectus.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As at the date of this prospectus, the securities expected to be subject to escrow upon completion of the listing of the Common Shares on the CSE are shown in the following table (assuming no exercise of the Over-Allotment Option):

Designation of Class	Total number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of Class ⁽⁵⁾
Common Shares ⁽¹⁾⁽²⁾	500,000	1.10%
Warrants ⁽²⁾⁽⁶⁾	Nil	0%
Performance Warrants ⁽³⁾	4,000,000	100%
PP Warrants ⁽⁴⁾	12,000,000	100%

Notes:

- (1) Securities held in Escrow and released over a 36-month period pursuant to an escrow agreement (the “**Escrow Agreement**”) to be entered into between directors, executive officers and Odyssey Trust Corporation, as escrow agent. The release of the Securities under the Escrow Agreement is set forth in the table below.
- (2) Including 9,000,000 Consideration Shares to be issued to the Vendors, and 3,658,676 Employment Shares to be issued to the Boris Gorodnitsky and Robert Colwell.
- (3) The Performance Warrants to be issued to the Vendors.
- (4) Includes PP Warrant Shares issuable upon conversion of PP Warrants.
- (5) Percentage is based on assuming an aggregate of 45,681,676 Common Shares, 10,000,000 Warrants and 4,000,000 Performance Warrants being issued and outstanding upon Closing of the Offering.
- (6) Assuming no Units are acquired by persons that would be subject to the escrow requirements and no exercise of the Over-Allotment Option.

Directors and executive officers and certain shareholders of the Corporation (the “**Escrow Shareholders**”) will enter into the Escrow Agreement with the Corporation in connection with the Offering, pursuant to which the Escrow Shareholders will agree to deposit the securities of the Corporation which they hold with Odyssey until they are released in accordance with terms of their respective Escrow Agreements, CSE Policy and applicable securities law as follows:

Release Date	Amount of Securities to be Released
On the date the Corporation’s securities are listed on a Canadian Exchange	10% of escrow securities
6 months after the listing date	15% of escrow securities
12 months after the listing date	15% of escrow securities
18 months after the listing date	15% of escrow securities
24 months after the listing date	15% of escrow securities
30 months after the listing date	15% of escrow securities
36 months after the listing date	15% of escrow securities

PRINCIPAL SHAREHOLDERS

To the knowledge of the Corporation’s directors and senior officers, no person:

- (a) as at the date of this prospectus, beneficially owns or exercises control or direction over; or

- (b) is expected following closing of the Offering, to beneficially own or exercise control or direction over,

Common Shares carrying more than 10% of the votes attached to Common Shares, except for the following (assuming no exercise of the Over-Allotment Option):

Name	Number of Common Shares Owned as of the date of this prospectus or to be Owned Assuming Closing of the Offering and Acquisition Transaction	Percentage of Outstanding Shares as of the date of this prospectus	Percentage of Outstanding Shares assuming Closing of the Offering and the Acquisition Transaction ⁽¹⁾
Boris Gorodnitsky	6,329,338 ⁽²⁾⁽³⁾	N/A	13.86% ⁽⁴⁾
Robert Colwell	6,329,338 ⁽²⁾⁽³⁾	N/A	13.86% ⁽⁴⁾

Notes:

- (1) Assumes 45,681,676 Common Shares outstanding on completion of the Offering and the Acquisition Transaction.
- (2) Comprised of the 4,500,000 Consideration Shares and the 1,829,338 Employment Shares issuable to each of the Vendors upon completion of the Acquisition Transaction. In addition to the Common Shares of the Corporation noted above, an additional 4,000,000 Common Shares issuable upon exercise of the Performance Warrants held, in aggregate, by Mr. Gorodnitsky and Mr. Colwell will, upon issuance thereof, be subject to the Escrow Agreement.
- (3) To be issued upon completion of the Offering and Acquisition Transaction.
- (4) Assuming no exercise of the Over-Allotment Option.

DIRECTORS AND OFFICERS

The following table sets out, for each of the directors and executive officers of the Corporation, the person's name, age, province or state and country of residence, position with the Corporation, principal occupation and the date on which the person became (or is expected to become a director and/or executive officer). Our directors are expected to hold office until the next annual general meeting of shareholders. Directors are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders. As a group, these directors and executive officers beneficially own, or control or direct, directly or indirectly, a total of 500,000 Common Shares, representing 1.10% of the Common Shares outstanding assuming Closing of the Offering. See "*Principal Shareholders*" for additional details regarding Boris Gorodnitsky and Robert Colwell's anticipated share ownership following completion of the Offering and the Acquisition Transaction.

Directors and Executive Officers

Name, Province or State and Country of Residence	Age	Position Held	Director/ Executive Officer Since	Principal Occupation for the 5 Preceding Years⁶	Number of Securities Beneficially Owned or Controlled Directly or Indirectly as at the Date of this prospectus
Mike Stier ⁽¹⁾⁽³⁾	32	Director CEO and President ⁽⁵⁾	2018	LinkPoint Consulting, Operations Manager; Ledger House Ltd., Trader; CIBC, Senior Financial Advisor	500,000 Common Shares ⁽⁹⁾
Chris Cooper ⁽¹⁾⁽²⁾	49	Director	2019	Counterpath Corporation, Director; Northern Sun Exploration Company Inc.; President, CEO and Director Hillcrest Petroleum Ltd., Founder, Director and CEO	250,000 Options
Don Currie ⁽¹⁾	58	Director	2019	Affinor Growers Inc., Director, CEO and CFO; Rye Patch Gold Corp., Group Controller; Triumvirate Consulting, President and CEO.	250,000 Options
Randy Minhas	37	CFO	2019	Dama, LLC, Founder; New Leaf Enterprises Inc. and New Leaf USA, Inc., Co-founder	Nil
Robert Colwell ⁽⁶⁾	48	Proposed Director of the Corporation and Proposed CEO of New Leaf USA	N/A To be appointed upon completion of the Acquisition Transaction		Nil ⁽⁸⁾

Name, Province or State and Country of Residence	Age	Position Held	Director/ Executive Officer Since	Principal Occupation for the 5 Preceding Years⁶	Number of Securities Beneficially Owned or Controlled Directly or Indirectly as at the Date of this prospectus
Boris Gorodnitsky ⁽⁶⁾	56	Proposed Director of the Corporation and Proposed President of New Leaf USA	N/A To be appointed upon completion of the Acquisition Transaction	New Leaf Enterprises Inc. and New Leaf USA, Inc., Co-founder	Nil ⁽⁸⁾
Lee White ⁽⁷⁾	52	Proposed Director of the Corporation	N/A To be appointed upon completion of the Acquisition Transaction	Real Estate Broker with Devon Group, LLC	Nil ⁽¹⁰⁾

Notes:

- (1) Audit committee member.
- (2) Audit committee chair.
- (3) Chairman of the board.
- (4) Mr. Stier is not independent as he currently serves as the President and CEO. See also: “*Corporate Governance – Board of Directors*”.
- (5) See also “*Directors and Officers – Conflicts of Interest*”.
- (6) Mr. Colwell and Mr. Gorodnitsky are not currently serving as directors; however, such individuals are liable under this prospectus for disclosure herein.
- (7) Pursuant to an ancillary rights agreement with the Vendors, Boris Gorodnitsky and Robert Colwell will be entitled to be nominees for election to the Board, and will be entitled to together select one additional nominee for election to the Board, in each case, in the aggregate to appoint or elect two nominees to the Board at any annual general meeting of shareholders of the Corporation held during a period of three years from the closing of the Acquisition Transaction.
- (8) For description of anticipated shareholdings on completion of the Offering and Acquisition Transaction, see “*Principal Shareholders*.”
- (9) Issued to satisfy 500,000 fully vested RSRs.
- (10) It is anticipated that Mr. White will be granted 250,000 Options upon becoming a director of the Corporation.

Biographies

The following are brief profiles of our executive officers and directors, including a description of each individual’s principal occupation within the past five years. See also “*Directors and Officers – Conflicts of Interest*”.

Michael Stier – Mr. Stier previously worked as an IIROC licensed senior financial advisor at CIBC’s Imperial Service Division from December 2009 to June 2015. Mr. Stier joined a private equity company as an equity trader managing a portfolio of \$20 million in private funds, analyzing and executing trades. Currently, Mr. Stier is an operations manager at LinkPoint Consulting where he advises on projects with Greendrop Capital Corp. Mr. Stier is currently CEO, President and Director of the Corporation. Mr. Stier will devote approximately 50 percent of this time, or such greater or lesser amount of time as may be required as circumstances dictate, to the affairs of the Corporation. Mr. Stier studied business management at Kwantlen Polytechnic University and Okanagan College, specializing in finance.

Randy Minhas – Mr. Minhas is a Chartered Professional Accountant with 14 years of finance experience in the technology, manufacturing and resources industries. Mr. Minhas has served as Director, CFO, and Controller for several publicly traded companies since 2011 focusing on forecasting, business development, development of internal controls and complete financial reporting services. In addition to previously serving as CFO of Blackrock Gold Corp., Mr. Minhas also formerly served as Group Controller for Rye Patch Gold Corp., a Nevada gold producer. Prior to joining Rye Patch Gold Corp., Mr. Minhas served as the Financial Reporting and SOX specialist for Golden Queen Mining Co. Ltd., helping take the company from an exploration stage company to a full gold and silver producing company. Mr. Minhas holds a Bachelor of Business Administration from Simon Fraser University and completed his Chartered Accountant designation in 2008, while also completing his Chartered Director Certification in 2017. He currently serves as a Director and CEO of Affinor Growers Inc. and Lead Independent Director for Clean Seed Capital Group Ltd. Mr. Minhas will devote approximately 35 percent of this time, or such greater or lesser amount of time as may be required as circumstances dictate, to the affairs of the Corporation.

Don Currie – Mr. Currie has 35 years experience building, financing and developing both private and public companies in Canada, the United States and South America. He is the founding CEO, Chairman and Director of Hillcrest Petroleum Ltd. (formerly Hillcrest Resources Ltd). Prior to Hillcrest, Mr. Currie was a Director, VP and Officer of Enhanced Oil Resources Ltd. Enhanced Oil Resources found the 2nd largest CO2/Helium field in the US located in Apache County, Arizona. Mr. Currie will devote approximately 30 percent of this time, or such greater or lesser amount of time as may be required as circumstances dictate, to the affairs of the Corporation.

Chris Cooper – Mr. Cooper has over 20 years of business experience in various aspects of corporate development, senior management, finance and operations, in both the private and public sectors. Mr. Cooper received a B.A. from Hofstra University and an M.B.A. from Dowling College, both in New York State. Mr. Cooper has over 17 years of experience in management and finance in the oil and gas industry and other business sectors and has experience raising funds through brokered and non-brokered equity issues, as well as debt financings for various companies in which he has been involved. Mr. Cooper sits on the audit committee and compensation committee for other issuers including Counterpath Corp., a Nasdaq listed company. His experience includes implementing growth strategies, financial reporting, quarterly and annual budgets and overseeing corporate administration, while achieving company objectives and maintaining internal cost controls. Mr. Cooper has been a director of several private and public companies over the last 20 years. Mr. Cooper will devote approximately 30 percent of this time, or such greater or lesser amount of time as may be required as circumstances dictate, to the affairs of the Corporation.

Boris Gorodnitsky – Mr. Gorodnitsky began his career in software development, where he held positions in a number of technology companies from small start-ups to large corporations such as Microsoft. He served as Chief Technology Officer at Advanced Marine Technology, a high-seas marine navigation equipment company located in Seattle. He was also the director of software development at Captura, an enterprise business software company in Kirkland, Washington. Mr. Gorodnitsky has 10 years experience growing and producing flowers for the medical marijuana industry. In 2012, he formed New Leaf USA with Mr. Colwell in 2012. Mr. Gorodnitsky's experience includes business development, new product development and growing and processing techniques. It is anticipated that Mr. Gorodnitsky will devote approximately 100 percent of this time, or such greater or lesser amount of time as may be required as circumstances dictate, to the affairs of the Corporation.

Robert Colwell – Mr. Colwell has approximately 10 years corporate development, sales and manufacturing experience. Mr. Colwell started Compression Technologies and TR Manufacturing, two composite manufacturing facilities based in Bellevue, Washington, and he ran a construction company for 10 years. In 2012, he created Dama LLC, a medical cannabis concentrate company, which he subsequently merged with New Leaf Botanicals, creating New Leaf USA. Mr. Colwell's experience includes business and product development and marketing. It is anticipated that Mr. Colwell will devote approximately 100 percent of this time, or such greater or lesser amount of time as may be required as circumstances dictate, to the affairs of the Corporation.

Lee White – Mr. White has been a licensed real estate agent, with a specific focus on commercial real estate and development, for the last 29 years. Mr. White has been involved in various aspects of real estate including sales, leasing, development of land, construction of workforce houses, workforce apartment buildings and retail buildings. Mr. White's experience in the cannabis industry includes cultivation and distribution. Mr. White owned Cigaweed, LLC, a cannabis company from 2013 to 2018. Mr. White will devote approximately 35 percent of this time, or such greater or lesser amount of time as may be required as circumstances dictate, to the affairs of the Corporation.

Corporate Bankruptcies

Except as set out below, to the Corporation's knowledge, no existing or proposed director, officer or promoter of the Corporation or a securityholder anticipated to hold a sufficient number of securities of the Corporation to affect materially the control of the Corporation, within 10 years of the date of this prospectus, has been a director, officer or promoter of any person or company that, while that person was acting in that capacity,

- a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days; or
- b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

From February of 2004 until March of 2012, Mr. Cooper served as a director of Copacabana Capital Limited, a company traded on the TSX Venture Exchange, a financial services company incorporated under the laws of and managed in Bermuda. The British Columbia Securities Commission issued an order on May 9, 2006 and the Alberta Securities Commission issued an order on September 13, 2006 that Copacabana Capital Limited be cease traded due to failure to file certain financial information. Copacabana Capital Limited remains under the cease trade orders as at the date of this prospectus.

Mr. Cooper is also the President and CEO of Reparo Energy Partners Corp., formerly Northern Sun Exploration Company Inc., a company traded on the TSX Venture Exchange. On December 23, 2008, trading in the common shares of this company was halted for failure to maintain a transfer agent, but trading of common shares on the TSX Venture Exchange resumed on December 23, 2008. The British Columbia Securities Commission issued an order on March 11, 2009 and the Alberta Securities Commission issued an order on March 6, 2009, that Reparo Energy Partners Corp. be cease traded due to failure to file certain financial information and it remains under the cease trade orders as at the date of this prospectus. In August 2008, Reparo Energy Partners Corp. filed for protection under the Insolvency Act and as at August 2009, the restructuring proposal had been fully performed.

Mr. Cooper is also the President and CEO of Aroway Energy Inc., a company traded on the TSX Venture Exchange. A cease trade order was issued by the British Columbia Securities Commission on January 4, 2016 against Aroway Energy Inc. for failing to file its annual audited financial statements, interim financial report and related management's discussion and analysis. Aroway Energy Inc. remains under the cease trade order as at the date of this prospectus.

Mr. Cooper is also a director of StartMonday Technology Corp., a company traded on the CSE. A cease trade order was issued by the British Columbia Securities Commission on May 1, 2019 against StartMonday Technology Corp. for failing to file its annual audited financial statements, interim financial report and related management's discussion and analysis. StartMonday Technology Corp. remains under the cease trade order as at the date of this prospectus.

Penalties or Sanctions

Except as set out below, to the Corporation's knowledge, no existing or proposed director, officer or promoter of the Corporation, or a securityholder anticipated to hold sufficient securities of the Corporation to affect materially the control of the Corporation, has:

- a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body that would be likely to be considered important to a reasonable securityholder making a decision in respect of the Corporation.

Mr. Currie was subject to cease trade orders issued by the British Columbia Securities Commission in 1997 for failing to file insider reports, while serving as a director of the following companies: Tignanello Resources; Bice Ventures Corp.; Solaia Ventures Inc.; Vetta Ventures Corp.; North American Scientific; Cradle Mountain Canada and Ridgeway Petroleum Corp. All such cease trade orders were lifted in 1997, with the exception of those in respect of Cradle Mountain Canada and North American Scientific, neither of which companies still exist.

Personal Bankruptcies

Except as set out below, to the Corporation's knowledge, no existing or proposed director, officer or promoter of the Corporation, or a securityholder anticipated to hold sufficient securities of the Corporation to affect materially the control of the Corporation, or a personal holding company of such persons has, within the 10 years before the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or promoter.

Mr. White was the owner of Continental Holdings, LLC, a limited liability company formed in the State of Washington that filed for chapter 11 bankruptcy in 2010 and was subsequently converted into a personal, chapter 7 bankruptcy. The chapter 7 bankruptcy was discharged on July 25, 2012.

Mr. Colwell is subject to three judgements rendered between 2009-2012, resulting from outstanding debt, aggregating approximately USD\$29,850.

Conflicts of Interest

Members of Management are, and may in future be, associated with other firms involved in a range of business activities. Consequently, there are potential inherent conflicts of interest in their acting as officers and directors of our company. Although the officers and directors are engaged in other business activities, the Corporation anticipates they will devote an important amount of time to our affairs.

The Corporation's officers and directors are now and may in the future become shareholders, officers or directors of other companies, which may be formed for the purpose of engaging in business activities similar to the Corporation's. Accordingly, additional direct conflicts of interest may arise in the future with respect to such individuals acting on behalf of us or other entities. Moreover, additional conflicts of interest may arise with respect to opportunities which come to the attention of such individuals in the performance of their duties or otherwise. Currently, the Corporation does not have a right of first refusal pertaining to opportunities that come to their attention and may relate to our business operations.

The Corporation's directors and officers are subject to fiduciary obligations to act in the best interest of the Corporation. Conflicts, if any, will be subject to the procedures and remedies of the BCBCA or other applicable corporate legislation.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Corporation was not a reporting issuer at any time during the period from incorporation on June 4, 2018 to the date of this prospectus. Accordingly, and in accordance with Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers*, the following is a discussion of all significant elements of compensation to be awarded to, earned by, paid to or payable to Named Executive Officers of the Corporation, once the Corporation becomes a reporting issuer, to the extent this compensation has been determined.

When used in this section, “**Named Executive Officers**” or “**NEO**” means the CEO, the CFO and each of the most highly compensated executive officers (other than the CEO and CFO) of the Corporation (including any of its subsidiaries) during the Corporation’s most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year, as well as each individual who would be a Named Executive Officer but for the fact that the individual was neither an executive officer of the Corporation or its subsidiaries, nor acting in a similar capacity, at the end of that financial year.

The Corporation anticipates that the NEOs will be: Mike Stier, CEO, Randy Minhas, CFO, Robert Colwell, proposed CEO of New Leaf USA and Boris Gorodnitsky, proposed President of New Leaf USA.

At this present stage of development, the Corporation does not have a compensation committee or a formal compensation policy. The Corporation relies solely on the Board to determine the compensation of its executive officers. In determining compensation, the Board considers the Corporation’s financial situation but does not currently have any formal objectives or criteria. The performance of each executive officer is informally monitored by the Board, having in mind the business strengths of the individual and the purpose of originally appointing the individual as an officer. The type and amount of future compensation to be paid to the NEOs and directors has not been determined; however, the Corporation expects that compensation will include Awards granted pursuant to the Corporation’s Equity Incentive Plan. Mike Stier received an aggregate sum of \$125,000 in consulting fees, which such fees were paid through the issuance of 500,000 fully-vested RSRs which were immediately settled through the issuance of 500,000 Common Shares on November 14, 2019. The Equity Incentive Plan was adopted by resolution of the directors of the Corporation on September 12, 2019, and is not subject to shareholder approval under the rules of the CSE. The Corporation has no equity incentive plans other than the Equity Incentive Plan. Details on the Equity Incentive Plan, including material terms, can be found in section “*Options to Purchase Common Shares – Equity Incentive Plan.*”

As of the date of this prospectus, the Corporation has not issued any Awards under the Equity Incentive Plan other than those set out under section “*Options to Purchase Common Shares – Equity Incentive Plan.*”

Compensation of Directors

Directors are currently not paid any fees for their services as directors of the Corporation, although it may do so in the future. Directors are eligible to participate in the Equity Incentive Plan. Two of the independent directors, namely, Don Currie and Chris Cooper received 250,000 Options each and receive a monthly fee of CDN\$2,000. It is anticipated that upon become a director, Lee White will receive similar compensation. Directors are reimbursed for travel and other out-of-pocket expenses incurred in attending directors’ and shareholders’ meetings. Directors are also entitled to receive compensation to the extent that they provide additional services to the Corporation at rates that would be charged by such directors for such services to arm’s length parties. No such additional services were provided to the Corporation by any director during the period from incorporation on June 4, 2018 to the date of this prospectus.

Employment, Consulting, and Management Agreements

There are currently no contracts, agreements, plans or arrangements currently in place with employees, consultants or Management other than as set forth below.

On March 1, 2019, the Corporation entered into a consulting agreement (the "March 2019 Agreement") with LinkPoint Consulting (a company of which Mike Stier, director and officer of the Corporation, is Operations Manager) pursuant to which it has agreed to pay LinkPoint Consulting, on a month to month basis, \$10,000 on the first of each month in which the consulting agreement remains in effect, for, among other things, the provision of consulting services related to business development strategies, onsite operations and sales development, systems review and consolidation, eCommerce solutions, marketing, preparing financial projections, developing strategic partnerships and identifying potential advisory board members. On July 1, 2019 the Corporation and LinkPoint Consulting agreement entered into a new consulting agreement (which replaced the March 1, 2019 Agreement) (the "July 2019 Agreement"). The July 2019 Agreement as a term of seven months, expiring in January 2020, and expands the scope of the consulting services to include additional business development services, including but not limited to, creation, deployment and adoption support of standard operating procedures, additional staffing resources, build out management team and management support, eCommerce platform management, marketing, hemp corporate management, and strategic partnerships and brand development. The Corporation has agreed to pay LinkPoint Consulting \$30,000 per month, payable (at the sole election of the Corporation) in cash or shares; any such shares to be issued at a price determined in the context of the market, and in accordance with applicable securities laws.

Randy Minhas provides CFO services to the Corporation under the Minhas Consulting Agreement, which may be terminated upon 30 days' written notice, in exchange for a fee of \$5,000 per month, plus any applicable taxes. There are no severance or change of control provisions included in the Minhas Consulting Agreement.

Mike Stier provides CEO services to the Corporation under the Stier Consulting Agreement, which may be terminated upon 30 days' written notice, in exchange for a fee of \$3,500 per month, plus any applicable taxes. The first fee payable under the Stier Consulting Agreement shall be due on the first business day of the month following the listing of the Common Shares of the Corporation on the CSE. There are no severance or change of control provisions included in the Stier Consulting Agreement.

Upon completion of the Acquisition Transaction, pursuant to the Colwell Employment Agreement, Robert Colwell will be paid a monthly salary of USD\$10,000 for his services as CEO of New Leaf USA. New Leaf USA will also reimburse Mr. Colwell for any reasonable travelling and other direct expenses incurred by Mr. Colwell in connection with his services. The Colwell Employment Agreement will have a term of three years, subject to earlier termination in as set forth below. Mr. Colwell will receive 1,829,338 Employment Shares from the Corporation and will be eligible to participate in the Equity Incentive Plan of the Corporation.

In addition, pursuant to the Gorodnitsky Employment Agreement, Boris Gorodnitsky will be paid a monthly salary of USD\$10,000 for his services as President of New Leaf USA. The New Leaf USA will also reimburse Mr. Gorodnitsky for any reasonable travelling and other direct expenses incurred by Mr. Gorodnitsky in connection with his services. The Gorodnitsky Employment Agreement will have a term of three years, subject to earlier termination in as set forth below. Mr. Gorodnitsky will receive 1,829,338 Employment Shares of the Corporation and will be eligible to participate in the Equity Incentive Plan of the Corporation.

Termination and Change of Control Benefits

There are currently no contracts, agreements, plans or arrangements currently in place for any of the NEOs that provide for payments to a NEO following or in connection with any termination, resignation, retirement, change in control of the Corporation (or a subsidiary) or a change in an NEO's responsibility.

Notwithstanding the foregoing, upon completion of the Acquisition Transaction, the Vendor Employment Agreements will provide for payments to be made by the New Leaf USA in the event of termination of the

Vendor Employment Agreements by the New Leaf USA without cause or following a change of control, death or total disability, the details of which are summarized below.

Meaning of "Cause", "Change of Control" and "Good Reason"

In the Vendor Employment Agreements, "**Cause**" means the occurrence of any of the following:

- a) the executive's non-performance or neglect of executive's duties or executive's failure to perform the executive's duties in a competent and diligent manner after New Leaf USA has provided the executive with thirty days' written notice of the performance deficiency and the executive has failed to cure such deficient performance;
- b) the executive's violation of New Leaf USA's code of conduct or other policies of New Leaf USA which is deemed to be material by New Leaf USA in its sole reasonable discretion;
- c) the executive's dishonesty or fraud with respect to the business or affairs of New Leaf USA, that results in any loss to New Leaf USA or the executive's conviction of a felony or other crime involving moral turpitude; or
- d) any conduct of the executive that is reasonably determined by New Leaf USA's board of directors to be detrimental to the business of New Leaf USA, and which the executive persists in after being instructed by New Leaf USA to cease such conduct.

In the Vendor Employment Agreements, "**Change of Control**" means:

- a) the acquisition, directly or indirectly, by any person or group of persons acting jointly or in concert, as such terms are defined in the *Securities Act* (British Columbia), of common shares of New Leaf USA or the Corporation which, when added to all other common shares of New Leaf USA at the time held directly or indirectly by such person or persons acting jointly or in concert, constitutes for the first time in the aggregate 50% or more of the outstanding common shares of New Leaf USA and such shareholding exceeds the collective shareholding of the current directors of New Leaf USA, excluding any directors acting in concert with the acquiring party;
- b) the removal, by extraordinary resolution of the shareholders of New Leaf USA, of more than 51% of the then incumbent directors of New Leaf USA or the Corporation or the election at a meeting of shareholders of a majority of directors to the board of directors of New Leaf USA or the Corporation who were not management nominees for election as directors at such meeting;
- c) consummation of a sale of all or substantially all of the assets of New Leaf USA or the Corporation;
- d) a plan of liquidation of New Leaf USA or the Corporation or an agreement for the sale or liquidation of New Leaf USA or the Corporation is approved and completed; or
- e) the consummation of a reorganization, plan of arrangement, merger or other transaction which has substantially the same effect as (a) through (d) above.

In the Vendor Employment Agreements, "**Good Reason**" means the occurrence of any of the following events and the New Leaf USA's failure to cure any of the following after thirty days' written notice from the executive:

- a) the assignment by New Leaf USA to the executive, without the executive's consent, of any substantial new or different duties inconsistent with the executive's positions, duties, responsibilities and status with New Leaf USA immediately prior to such change in assigned duties;
- b) a material reduction in the executive's responsibilities, without the executive's consent, except as a result of the executive's death or disability;

- c) a reduction in the executive's compensation not agreed to by the executive; or
- d) a material change in the terms of the executive's participation under any equity incentive plan, the effect of which would be to materially reduce the total value, in the aggregate, of the benefit to the executive under the incentive plan, not agreed to by the executive.

Termination by the Corporation on a Change of Control

If within 12 months following a Change of Control a Vendor Employment Agreement is terminated by the New Leaf USA other than for Cause, or such employment agreement is terminated by the executive with Good Cause at any time within six (6) months after a Change of Control, in either case, the respective executive will receive a termination payment in an amount equal to the sum of all Accrued Obligations (see Note 1 below) as defined in the employment agreement and a termination payment equal to the remainder of Executive's total Annual Base Salary through the term of the Vendor Employment Agreement, to be paid in equal monthly payments of ten thousand dollars (\$10,000 USD), contingent upon executive's execution of a separation and release agreement in a form acceptable to the New Leaf USA.

Termination by the Corporation Without Cause

The Corporation may terminate the Vendor Employment Agreements and the engagement of the executives without cause at any time by notice in writing, and the executives may terminate their respective employment agreement for Good Reason on two weeks' written notice. In either event, the Corporation shall pay the respective executive:

- i. All Accrued Obligations (see Note 1 below) as defined in the employment agreement; and
- ii. A termination payment equal to the remainder of executive's total Annual Base Salary through the term of the Vendor Employment Agreement, to be paid in equal monthly payments of ten thousand dollars (\$10,000 USD), contingent upon Executive's execution of a separation and release agreement in a form acceptable to the New Leaf USA.

Termination on Death or Total Disability

If a Vendor Employment Agreement is terminated by reason of death or total disability, New Leaf USA shall pay the respective executive I (or the executive's estate or beneficiaries):

All Accrued Obligations (see Note 1 below) as defined in the employment agreement; and;

A termination payment, lump sum, in cash, equal to six (6) months of executive's Annual Base Salary, within forty-five (45) days of the executive's (or the executive's estate or beneficiaries) execution of a separation and release agreement in a form acceptable to the New Leaf USA.

Notes:

(1) "Accrued Obligations" means, as of and up to the date of termination of employment and to the extent not previously paid, the sum of (i) the executive's earned Annual Base Salary (see Note 2 below); (ii) the amount of any bonus, deferred compensation and other cash compensation accrued by the executive; (iii) any unused paid time off, expense reimbursements and other cash entitlements accrued by the executive; (iv) any grants and awards vested or accrued under any equity-based incentive compensation plan or program (if any), and; (v) all other unpaid benefits which have accrued.

(2) "Annual Base Salary" means one hundred twenty thousand dollars (\$120,000 USD) to be paid in equal monthly payments of ten thousand dollars (\$10,000 USD).

Termination by the Corporation for Cause

If the New Leaf USA terminates the Vendor Employment Agreement with Cause, the executive is not entitled to any termination payment from the New Leaf USA and shall only receive Accrued Obligations.

Pension Plan Benefits

The Corporation currently does not provide pension plan benefits for Named Executive Officers, directors or employees.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this prospectus, none of the directors and executive officers of the Corporation or Associates of such persons is indebted to the Corporation or another entity where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

PLAN OF DISTRIBUTION

The Units

Pursuant to the Agency Agreement, the Corporation has appointed the Agent to offer for sale to the public on a commercially reasonable efforts basis, and the Corporation has agreed to issue and sell, subject to compliance with all necessary legal requirements and pursuant to the terms and conditions of the Agency Agreement, 20,000,000 Units at a price of \$0.25 per Unit. Pursuant to the terms of the Agency Agreement, in respect of the Offering, the Corporation has agreed to pay the Agent's Commission, being (a) a cash fee equal to 8.0% of the aggregate gross proceeds of the Offering in respect of purchasers of Units, provided that the amount of the cash fee payable in connection with gross proceeds received from purchasers of Units on the President's List is 2.0%. As additional compensation, the Corporation has also agreed to: (a) pay the Agent's Fee, being \$30,000 (plus GST); and (b) issue to the Agent such number of Agent Warrants as is equal to 8.0% of the number of Units sold pursuant to the Offering, provided that the number of Agent Warrants issuable in connection Units sold to purchasers on the President's List is equal to 4.0% of the number of Units sold to such purchasers. Each Agent Warrant will be exercisable into an Agent Unit at an exercise price of \$0.25 until the Expiry Date, subject to an Early Expiry Date upon the occurrence of an Early Expiry Event. Each Agent Unit will consist of one Common Share and one-half of one Agent Unit Warrant. Each Agent Warrant will entitle the holder thereof to purchase an additional Common Share on the same terms and conditions as the Warrants.

The Corporation has granted the Agent the Over-Allotment Option, which is exercisable in whole or in part for a period of 30 days from and including the Closing and pursuant to which the Agent may purchase up to 3,000,000 Additional Units on the same terms as set forth above to cover over-allotments, if any. This prospectus qualifies the grant of the Over-Allotment Option and the issuance of Additional Units on the exercise of the Over-Allotment Option. A purchaser who acquires Additional Units forming part of the Agent's over-allocation position acquires those Additional Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The Units consist of one Unit Share and one-half of one Warrant. Each whole Warrant entitles the holder thereof to acquire one Warrant Share at a price of \$0.40 per Warrant Share until the Expiry Date. The Warrants will be subject to an Early Expiry Date if the closing price of the Common Shares on the CSE is equal to or greater than \$0.60 per Common Share for a period of ten (10) consecutive trading days (an Early Expiry Event). The Offering Price was determined by arm's length negotiation between the Corporation and the Agent, based on several factors, such as prevailing market conditions; the capital structure of the Corporation; estimates of the Corporation's business potential and earnings prospects; an overall assessment of the Corporation's management, and the consideration of these factors in relation to

market valuations of companies in related businesses, and may bear no relationship to the price that will prevail in the public market.

Subscriptions for Units will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. It is expected that the Closing of the Offering will take place on or about [●], 2019 or on such other date as the Corporation and the Agent may agree (the Closing Date). Pending the Closing, all subscription funds in respect of the Offering will be deposited and held by the Agent in trust pursuant to the terms and conditions of the Agency Agreement. The Closing is subject to satisfaction of the terms and conditions of the Agency Agreement, including, among other things, satisfaction or waiver of the Closing Conditions on or prior to the Closing Date. If the Closing Date does not occur within 90 days from the date a receipt is issued for the final prospectus or such other time as may be permitted by applicable securities legislation and consented to by persons or companies who subscribed within that period and the Agent, the Offering will be discontinued and all subscription monies will be returned to subscribers without interest, set-off or deduction. Notwithstanding the foregoing, the total period of the Offering must not end more than 180 days from the date of the initial receipt for the final prospectus.

Other than pursuant to certain exceptions, it is expected that the Units distributed under this prospectus will be deposited with CDS upon the Closing or such other date(s) as may be agreed upon between the Corporation and the Agent. Other than pursuant to certain exceptions, no certificate evidencing the Units will be issued to purchasers under this prospectus, and registration will be made in the depository service of CDS.

There is currently no market through which any of the securities being distributed under this prospectus may be sold and purchasers may not be able to resell securities distributed hereunder. This may affect the pricing of such securities in the secondary market, the transparency and availability of trading prices, the liquidity of such securities, and the extent of issuer regulation. **Until and unless a receipt for the final long form prospectus is obtained from the securities regulatory authorities in each of the Qualifying Jurisdictions, securities issued in connection with the Offering that remain outstanding will be subject to relevant hold periods under applicable securities legislation.** See: “*Risk Factors*” and “*Forward-Looking Statements*”.

U.S. Securities Law Matters

The Units, the Unit Shares and the Warrants to be issued pursuant to the Offering and the Warrant Shares, have not been and will not be registered under the U.S. Securities Act, or any state securities laws, and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons, unless registered under the U.S. Securities Act and applicable state securities laws or an exemption therefrom is available. The Agent and its United States broker-dealer affiliate have agreed that, except as permitted by the Agency Agreement and subject to all the agreements, covenants and restrictions set forth therein, they will not offer or sell the Units, as part of the distribution at any time, within the United States or to, or for the account or benefit of, U.S. Persons and that all offers and sales of the Units will otherwise be made outside of the United States in accordance with Rule 903 of Regulation S under the U.S. Securities Act; provided, however, the Agent may offer and sell the Units in the United States through its U.S. affiliate to purchasers that are “accredited investors”, as defined in Rule 501(a) of Regulation D (“**Accredited Investors**”), and to “qualified institutional buyers”, as defined in Rule 144A under the U.S. Securities Act, that also qualify as Accredited Investors (“**QIBs**”).

The Warrants may not be exercised in the United States or by, or on behalf or for the benefit of, a U.S. Person, unless an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available for the issuance of the Warrant Shares to such U.S. Person and such U.S. Person has furnished, if requested, an opinion of counsel of recognized standing in form and substance reasonably satisfactory to the Corporation to such effect and any other certificates or documentation reasonably requested by the Corporation, the registrar and transfer agent or as required under the Warrant Indenture. Following exercise of the Warrants, if such an exemption is available, the

Warrant Shares will be represented by certificated securities that bear a U.S. restrictive legend or will be identified by a restricted CUSIP number, as applicable.

This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Units, Unit Shares or the Warrants (or any underlying securities) in the United States or to, or for the account or benefit of, U.S. Persons. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Units, the Unit Shares or the Warrants within the United States or to, or for the account or benefit of, a U.S. Person by any dealer, whether or not participating in the Offering, may violate the registration requirements of the U.S. Securities Act if such other offer or sale is made otherwise than in accordance with an available exemption from those registration requirements.

The Units (including the Unit Shares, Warrants and Warrant Shares) offered or sold in the United States will be “restricted securities” within the meaning of Rule 144 under the U.S. Securities Act, will be represented by certificated securities that bear a U.S. restrictive legend or be identified by a restricted CUSIP number, as applicable, and may only be offered, sold, pledged or otherwise transferred to the Corporation, outside the United States in compliance with Regulation S, or pursuant to an effective registration statement or an available exemption from registration under the U.S. Securities Act, and, in each case, in compliance with applicable local laws or regulations.

LISTING APPLICATION

As of the date of this prospectus, the Corporation does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities on the Toronto Stock Exchange, Aequis NEO Exchange Inc., a U.S. marketplace or a marketplace outside Canada and the United States. Concurrently with the filing of this prospectus, the Corporation intends to apply to list the Common Shares on the CSE; however, as of the date of this prospectus, the Corporation has not applied for nor received conditional approval from the CSE for such a listing. Listing will be subject to the Corporation fulfilling all of the requirements of the CSE, including meeting all minimum listing requirements, which cannot be guaranteed.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes the principal Canadian federal income tax considerations under the Tax Act generally applicable to a holder (a “**Holder**”) who acquires Unit Shares and Warrants pursuant to the Offering and Warrant Shares upon exercise of the Warrants (each a “**Security**” and collectively “**Securities**”) and who, for purposes of the Tax Act and at all relevant times, holds such Securities as capital property and deals at arm’s length with and is not affiliated with the Corporation or the Agent. Generally, Securities would be considered to be capital property to a Holder provided that the Holder does not use such securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. This summary is not applicable to a Holder (i) that is a “financial institution”, as defined in the Tax Act for purposes of certain rules referred to as the mark-to-market rules, (ii), that is a “specified financial institution”, as defined in the Tax Act, (iii) an interest in which would be a “tax shelter investment”, as defined in the Tax Act; (iv) that has entered, or will enter, into a “derivative forward agreement” or “synthetic disposition arrangement”, as defined in the Tax Act with respect to any of the Securities; (vi) that receives dividends on the Securities under or as part of a “dividend rental arrangement”, as defined in the Tax Act ; (vii) that has made a functional currency reporting election for purposes of the Tax Act); or (viii) that is a corporation resident in Canada, and is or becomes (or does not deal at arm’s length within the meaning of the Tax Act with a corporation resident in Canada that is or becomes) controlled by a non-resident corporation for purposes of the “foreign affiliate dumping” rules in section 212.3 of the Tax Act. Such Holders should consult their own tax advisors. In addition, this summary does not address the deductibility of interest otherwise incurred debt in connection with the acquisition of Securities.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the “**Regulations**”) and counsel’s understanding of the current published administrative and assessing practices and policies of the Canada Revenue Agency (the “**CRA**”). This summary takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”) and assumes that all Proposed Amendments will be enacted in the form proposed. However, there can be no assurance that the Proposed Amendments will be enacted in their current form or at all. This summary does not otherwise take into account or anticipate any changes in the law or administrative or assessing practice or policy of the CRA whether by legislative, regulatory, administrative, or judicial decision or action, nor does it take into account other federal or any provincial, territorial, or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular Holder. This summary is not exhaustive of all federal income tax considerations. Accordingly, Holders should consult their own tax advisors having regard to their own particular circumstances.

Allocation of Unit Subscription Price

Holders will be required to allocate the aggregate cost of the Unit between the Unit Share and the one half of a Warrant on a reasonable basis in order to determine their respective costs for purposes of the Tax Act.

The Corporation intends to allocate \$0.249 of the issue price of each Unit as consideration for the issue of each Unit Share and \$0.001 as consideration for the issue of each one-half Warrant. The Corporation believes that such allocation is reasonable but it is not binding on the CRA or a Holder. The Holder’s adjusted cost base of a Unit Share will be determined by averaging the cost allocated to the Unit Share with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

Exercise or Expiry of Warrants

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Common Share. When a Warrant is exercised, the Holder’s cost of the Common Share acquired thereby will be equal to the aggregate of the Holder’s adjusted cost base of such Warrant, as applicable, and the exercise price paid for the Common Share. The Holder’s adjusted cost base of the Common Share so acquired will be determined by averaging the cost of such Common Share with the adjusted cost base to the Holder of all Common Shares held as capital property by the Holder immediately before the acquisition of such Common Share.

The expiry of an unexercised Warrant generally will result in a capital loss to the Holder equal to the adjusted cost base of the Warrant to the Holder immediately before its expiry. See discussion below under the heading “*Capital Gains and Capital Losses*”.

Holders Resident in Canada

The following discussion applies to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is or is deemed to be resident in Canada (a “**Canadian Holder**”). Certain Canadian Holders whose Common Shares might not otherwise be capital property, may, in certain circumstances, be entitled to have their Common Shares, and every other “Canadian security”, as defined in the Tax Act, owned by such Canadian Holder in the taxation year of the election and in all subsequent taxation years deemed to be capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This election does not apply to the Warrants. Canadian Holders should consult their own tax advisors regarding this election.

Taxation of Dividends

A Canadian Holder will be required to include in computing its income for a taxation year any dividends received, or deemed to be received, in the year by the Holder on the Common Shares. In the case of a Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from “taxable Canadian corporations” (as defined in the Tax Act), including the enhanced gross-up and dividend tax credit provisions where the Corporation designates the dividend as an “eligible dividend” (as defined in the Tax Act) in accordance with the provisions of the Tax Act. A dividend received or deemed to be received by a Canadian Holder that is a corporation will generally be deductible in computing the corporation’s taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Canadian Holder that is a corporation as proceeds of disposition or a capital gain. Canadian Holders that are corporations are advised to obtain their own tax advice having regard to their particular circumstances.

A corporation that is a “private corporation” (as defined in the Tax Act) or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), generally will be liable to pay a refundable tax under Part IV of the Tax on dividends received or deemed to be received on the Unit Shares in a year to the extent such dividends are deductible in computing taxable income for the year.

Dispositions of Common Shares and Warrants

A Canadian Holder who disposes, or is deemed to dispose, of a Common Share, or a Warrant (other than on the exercise thereof) generally will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base to the Holder of such Security, as the case may be, immediately before the disposition or deemed disposition. The taxation of capital gains and losses is described below under the heading “*Capital Gains and Capital Losses*”.

Capital Gains and Capital Losses

Generally, a Canadian Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a “**taxable capital gain**”) realized by the Canadian Holder in such taxation year. Subject to and in accordance with the provisions of the Tax Act, a Canadian Holder must deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in a particular taxation year against taxable capital gains realized by the Canadian Holder in the year. Allowable capital losses not deducted in a particular taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Canadian Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of any dividends received, or deemed to have been received, by such Holder on the Common Shares, or shares substituted for such shares, subject to and in accordance with the provisions of the Tax Act. Similar rules may apply to a partnership or trust of which a corporation, trust or partnership is a member or beneficiary.

A Canadian Holder that is a “Canadian-controlled private corporation” as defined in the Tax Act may be liable to pay a refundable tax on certain investment income, including taxable capital gains

Alternative Minimum Tax

Capital gains realized and dividends received by a Canadian Holder that is an individual or a trust, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act.

Eligibility for Investment

The Common Shares and Warrants, if issued on the date hereof, would be qualified investments for trusts governed by a Registered Plan or a DPSP provided that the Common Shares are listed on a designated stock exchange in Canada for the purposes of the Tax Act (which includes the CSE) or the Corporation qualifies as a “**public corporation**” (as defined in the Tax Act).

Notwithstanding the foregoing, the holder of, or annuitant or subscriber under, a Registered Plan (the “**Controlling Individual**”) will be subject to a penalty tax in respect of Common Shares or Warrants held in the Registered Plan if such securities are a prohibited investment for the particular Registered Plan. A Common Share or Warrant generally will be a “prohibited investment” for a Registered Plan if the Controlling Individual does not deal at arm’s length with the Corporation for the purposes of the Tax Act or the Controlling Individual has a “significant interest” (as defined in subsection 207.01(4) the Tax Act) in the Corporation. Controlling Individuals should consult their own tax advisors as to whether the Common Shares or Warrants will be a prohibited investment in their particular circumstances.

Persons who intend to hold Common Shares or Warrants in a Registered Plan, should consult their own tax advisors in regard to the application of these rules in their particular circumstances.

Holdings Not Resident in Canada

The following summary applies to a Holder of Securities who, at all relevant times, for purposes of the Tax Act and any relevant income tax treaty or convention: (i) is neither resident nor deemed to be resident in Canada; and (ii) does not, and is not deemed to, use or hold the Securities in carrying on a business in Canada (a “**Non-Canadian Holder**”). This summary does not apply to a Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere and such Holders should consult their own tax advisors.

Expiry of Warrants and Dispositions of Common Shares

A Non-Canadian Holder will not be subject to tax under the Tax Act in respect of any capital gain realized on a disposition or deemed disposition of a Common Share or Warrant unless such Securities constitutes “taxable Canadian property” (as defined in the Tax Act) of the Non-Canadian Holder at the time of disposition, and the Non-Canadian Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Canadian Holder is resident. In addition, capital losses arising on a disposition or deemed disposition of a will not be recognized under the Tax Act, unless the Security constitutes “taxable Canadian property” (as defined in the Tax Act) at the time of disposition and the Non-Canadian Holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the Non-Canadian Holder is resident.

Provided the Common Shares are listed on a “designated stock exchange”, as defined in the Tax Act (which currently includes the CSE), at the time of disposition, Securities generally will not constitute taxable Canadian property of a Non-Canadian Holder, unless at any time during the 60 month period immediately preceding the disposition of the such securities: (i) (a) the Non-Canadian Holder; (b) persons with whom the Non-Canadian Holder did not deal at arm’s length; (c) partnerships in which the Non-Canadian Holder or a person described in (b) holds a membership interest directly or indirectly through one or more partnerships; or (d) the Non-Canadian Holder together with such persons, owned 25% or more of the issued shares of any class of the capital stock of the Corporation; and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly from one or any combination of: (a) real or immovable property situated in Canada; (b) “Canadian resources properties” (as defined in the Tax Act); (c) “timber resource properties” (as defined in the Tax Act); and (d) options in respect of, or interests in or for civil law rights in, property described in (a) to (c), whether or not such property exists. Notwithstanding the foregoing, in certain circumstances Securities may otherwise be deemed to be taxable Canadian property to a Non-Canadian Holder for purposes of the Tax Act.

A Non-Canadian Holder contemplating a disposition of Securities that may constitute taxable Canadian property should consult a tax advisor prior to such disposition.

In the event that a Security constitutes taxable Canadian property of a Non-Canadian Holder and any capital gain that would be realized on the disposition thereof is not exempt from tax under the Tax Act or pursuant to an applicable income tax convention, the income tax consequences discussed above for Canadian Holders under "*Taxation of Capital Gains and Capital Losses*" will generally apply to the Non-Canadian Holder.

Dividends

Any dividends paid or credited, or deemed to be paid or credited, on the Common Shares to a Non-Canadian Holder will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention between Canada and the Non-Canadian Holder's country of residence. For instance, where the Non-Canadian Holder is a resident of the United States that is entitled to full benefits under the *Canada-United States Income Tax Convention (1980)* as amended, and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%. Non-Canadian Holders should consult their own tax advisors in this regard.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a general discussion of certain U.S. federal income tax considerations relating to the receipt of Units by U.S. Subscribers and to the ownership and disposition of such Units by such U.S. Holders following the Offering. This discussion applies only to U.S. Holders that hold Units, as applicable, as capital assets for U.S. federal income tax purposes (generally, property held for investment). The discussion is based on and subject to the Code, the U.S. Treasury Regulations promulgated thereunder, administrative rulings and court decisions in effect on the date hereof, all of which are subject to change, possibly with retroactive effect, and to differing interpretations. No legal opinion from U.S. legal counsel or ruling from the IRS has been requested, or is expected to be obtained, regarding the U.S. federal income tax consequences described herein. This discussion is not binding on the IRS or any court, and there can be no assurance that the IRS will not take a contrary position or that any contrary position taken by the IRS will not be sustained by a court. This discussion also assumes that the Offering is carried out as described in this prospectus and that the Units are not integrated with any other transaction or Offering for U.S. federal income tax purposes.

The discussion does not constitute tax advice and does not address all of the U.S. federal income tax considerations that may be relevant to specific holders in light of their particular circumstances or to holders subject to special treatment under U.S. federal income tax law including:

- banks, thrifts, mutual funds and other financial institutions;
- regulated investment companies and real estate investment trusts;
- traders in securities who elect to apply a mark-to-market method of accounting;
- broker-dealers;
- tax-exempt organizations and pension funds;
- insurance companies;
- dealers or brokers in securities or foreign currency;

- individual retirement and other deferred accounts;
- U.S. Holders whose functional currency is not the U.S. dollar;
- U.S. expatriates;
- except to the limited extent specifically described herein, U.S. Holders who own, directly, indirectly or constructively, five percent (5%) or more of the total voting power or total value of all of the outstanding Unit Shares;
- Holders that may be required to accelerate the recognition of any item of gross income with respect to the Units as a result of such income being recognized on an applicable financial statement;
- PFIC or “controlled foreign corporations”;
- persons liable for the alternative minimum tax;
- holders who hold their shares as part of a straddle, hedging, conversion, constructive sale or other risk reduction transaction;
- partnerships or other pass-through entities; and
- holders who received their shares through the exercise of employee stock options or otherwise as compensation or through a tax-qualified retirement plan.

This discussion does not address any non-income tax considerations or any non-U.S., state or local tax consequences. Except as discussed below, this discussion does not address tax filing and reporting requirements.

If a partnership, including for this purpose any entity or arrangement that is treated as a partnership or other “pass-through” entity for U.S. federal income tax purposes, holds Units at the time of the Offering, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and the activities of the partnership. A shareholder that is a partnership and the partners (or other owners) in such partnership should consult their own tax advisors about the U.S. federal income tax consequences of the Offering and the ownership and disposition of Units after the Offering.

INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE U.S. FEDERAL INCOME AND OTHER TAX CONSIDERATIONS RELATING TO THE OFFERING, THE RECEIPT, OWNERSHIP AND DISPOSITION OF UNITS IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR NON-U.S. TAX LAWS.

Tax Classification of the Corporation at Closing

It is anticipated that the Corporation will not be classified as a U.S. domestic corporation.

The Corporation, and therefore its shareholders, will be subject to a number of significant and complicated U.S. federal income tax consequences as a result of not being treated as a U.S. domestic corporation for U.S. federal income tax purposes, and this summary does not attempt to describe all such U.S. federal income tax consequences. Accordingly, there may be additional or unforeseen U.S. federal income tax consequences to the Corporation and U.S. holders of Units that are not discussed in this summary.

The Corporation anticipates that it will also be subject to tax in Canada. It is possible that the Corporation will be subject to double taxation with respect to all or part of its taxable income. It is anticipated that such

U.S. and Canadian tax treatment will continue indefinitely. In addition, pursuant to the discussion below, no determination has been made as to whether the Corporation is a PFIC for United States federal income tax purposes for its most recent taxable year or for future taxable years.

Complex limitations also apply to the foreign tax credit pursuant to the discussion below. These limitations include the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." Generally, dividends paid by a non-U.S. corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a non-U.S. corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisors regarding the foreign tax credit rules.

U.S. Federal Tax Consequences to U.S. Holders

Receipt of Units Pursuant to the Offering

In general:

- a U.S. Holder will not recognize income, gain or loss upon the receipt of Units in the Offering;
- the aggregate tax basis of Units received by a U.S. Holder in the Offering will be the same as such U.S. Holder's aggregate consideration paid for the units; and
- the holding period of Units received by a U.S. Holder pursuant to the Offering will include the date of acquisition of the Unit Shares held by such U.S. Holder and also the date of acquisition of the Warrant Shares.

Ownership and Disposition of Units

Distributions

Distributions of cash or property on Units will constitute dividends for U.S. federal income tax purposes to the extent paid from the Corporation's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Dividends will generally be taxable to a U.S. Holder possibly as qualified dividends at the preferential rates, provided that such holder meets certain holding period and other requirements. Distributions in excess thereof will first constitute a return of capital and be applied against and reduce a U.S. Holder's adjusted tax basis in its Units, but not below zero, and thereafter be treated as capital gain and will be treated as described under "*Ownership and Disposition of Units – Sale or Other Taxable Disposition*" below.

Sale or Other Taxable Disposition

Upon the sale or other taxable disposition of Units, a U.S. Holder (taxed on such Holder's worldwide income) will generally recognize capital gain or loss equal to the difference between (i) the amount realized by such U.S. Holder in connection with such sale or other taxable disposition, and (ii) such U.S. Holder's adjusted tax basis in such Units.

Foreign Tax Credit Limitations Applicable to Units

Because it is anticipated that the Corporation will be subject to tax as a Canadian corporation, a U.S. Holder may pay, through withholding, Canadian tax, as well as U.S. federal income tax, with respect to

dividends paid on the Units. For U.S. federal income tax purposes, a U.S. Holder may elect for any taxable year to receive either a credit or a deduction for all foreign income taxes paid by the holder during the year. Complex limitations apply to the foreign tax credit, including a general limitation that the credit cannot exceed the proportionate share of a taxpayer's U.S. federal income tax that the taxpayer's foreign source taxable income bears to the taxpayer's worldwide taxable income. In applying this limitation, items of income and deduction must be classified, under complex rules, as either foreign source or U.S. source. A foreign tax credit may be unavailable for any Canadian tax paid on dividends received from the Corporation. Similarly, to the extent a sale or disposition of the Units by a U.S. Holder results in Canadian tax payable by the U.S. Holder, a U.S. foreign tax credit may be unavailable to the U.S. Holder for such Canadian tax. The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisors regarding these rules.

Passive Foreign Investment Company Rules

PFIC Status of the Corporation

If the Corporation were to constitute a PFIC for any year during a U.S. Holder's holding period, then certain potentially adverse rules may affect the U.S. federal income tax consequences to a U.S. Holder as a result of the ownership and disposition of Units. The Corporation has not made a determination regarding its PFIC status for any tax year. The determination of whether any corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether any corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this document. Accordingly, there can be no assurance that the IRS will not challenge any determination made by the Corporation (or any subsidiary of the Corporation) concerning its PFIC status. Each U.S. Holder should consult its own tax advisors regarding the PFIC status of the Corporation and each subsidiary of the Corporation.

In any year in which the Corporation is classified as a PFIC, a U.S. Holder will be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. In addition to penalties, a failure to satisfy such reporting requirements may result in an extension of the time period during which the IRS can assess a tax. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file an IRS Form 8621 annually.

Other PFIC Rules

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely election to treat the Corporation as a "qualified electing fund" under Section 1295 of the Code to recognize gain (but not loss) upon certain transfers of Units that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which Units are transferred. Certain additional adverse rules may apply with respect to a U.S. Holder if the Corporation is a PFIC. Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to such special rules, foreign withholding taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complicated, and a U.S. Holder should consult with its own tax advisors regarding the availability of the foreign tax credit with respect to distributions by a PFIC.

The PFIC rules are complex, and each U.S. Holder should consult its own tax advisors regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Units.

General Rules Applicable to the Ownership and Disposition of Unit Shares or Unit Warrants

The following discussion describes the general rules applicable to the ownership and disposition of the Unit Shares (or shares owned through the exercise of Unit Warrants) but is subject in its entirety to the special rules described above under the heading “*Passive Foreign Investment Company Rules*”.

Distributions on Unit Shares

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a Company Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current and accumulated “earnings and profits” of the Corporation, as computed for U.S. federal income tax purposes. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates if the Corporation is a PFIC for the tax year of such distribution or the preceding tax year. To the extent that a distribution exceeds the current and accumulated “earnings and profits” of the Corporation, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the Units and thereafter as gain from the sale or exchange of such Units. (See “— *Sale or Other Taxable Disposition of Units*” below). However, the Corporation may not maintain the calculations of its earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder may have to assume that any distribution by the Corporation with respect to the Units will constitute ordinary dividend income. Dividends received on Units by corporate U.S. Holders generally will not be eligible for the “dividends received deduction.” Subject to applicable limitations and provided the Corporation is eligible for the benefits of the Canada-U.S. Tax Convention or the Units are readily tradable on a United States securities market, dividends paid by the Corporation to non-corporate U.S. Holders, including individuals, generally may be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that the Corporation not be classified as a PFIC in the tax year of distribution. In general, capital gains taxes are very similar to those incurred when a U.S. holder buys U.S. domiciled stocks. The Canadian government imposes a 15% withholding tax on dividends paid to out of country investors, which generally can be claimed as a tax credit with the IRS. The dividend rules are complex, and each U.S. Holder should consult its own tax advisors regarding the application of such rules.

Sale or Other Taxable Disposition of Units

Upon the sale or other taxable disposition of Units, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the U.S. dollar value of cash received plus the fair market value of any property received and such U.S. Holder's tax basis in such Units sold or otherwise disposed of. Subject to the PFIC rules discussed above, a U.S. Holder's tax basis in Units generally will be such holder's U.S. dollar cost for such Units. Subject to the PFIC rules discussed above, gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the Units have been held for more than one year.

Subject to the PFIC rules discussed above, preferential tax rates currently apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Other Tax Matters

Additional Tax on Passive Income

Certain U.S. Holders that are individuals, estates or trusts (other than trusts that are exempt from tax) will be subject to a 3.8% tax on all or a portion of their “net investment income,” which includes dividends on the Units and net gains recognized on the disposition of the Units. Special rules apply to PFICs. U.S. Holders that are individuals, estates or trusts should consult their own tax advisors regarding the applicability of this tax to any of their income or gains in respect of the Units.

Foreign Tax Credits

A U.S. Holder that pays (whether directly or through withholding) non-U.S. income tax in connection with the ownership or disposition of Units may be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such non-U.S. income tax paid. Subject to certain limitations, a credit will generally reduce a U.S. Holder’s U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder’s income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all creditable non-U.S. taxes paid (whether directly or through withholding) by a U.S. Holder during a tax year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder’s U.S. federal income tax liability that such U.S. Holder’s “foreign source” taxable income bears to such U.S. Holder’s worldwide taxable income. In applying this limitation, a U.S. Holder’s various items of income and deduction must be classified, under complex rules, as either “foreign source” or “U.S. source.” Generally, dividends paid by a non-U.S. corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a non-U.S. corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. In addition, this limitation is calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own tax advisors regarding the foreign tax credit

Disclosure Requirements for Specified Foreign Financial Assets

Individual U.S. Holders (and certain U.S. entities specified in U.S. Treasury Department guidance) who, during any taxable year, hold any interest in any “specified foreign financial asset” generally will be required to file with their U.S. federal income tax returns certain information on IRS Form 8938 if the aggregate value of all such assets exceeds certain specified amounts. “Specified foreign financial asset” generally includes any financial account maintained with a non-U.S. financial institution and may also include Units if they are not held in an account maintained with a financial institution. Substantial penalties may be imposed, and the period of limitations on assessment and collection of U.S. federal income taxes may be extended, in the event of a failure to comply. U.S. Holders should consult their own tax advisors as to the possible application to them of this filing requirement.

AUDIT COMMITTEE

Audit Committee Charter

The full text of the charter of the Audit Committee is attached as Schedule “D” to this prospectus.

Composition of the Audit Committee

Pursuant to applicable laws, the Corporation is required to have an audit committee comprised of at least three directors, the majority of whom must not be officers or employees of the Corporation or an affiliate of the Corporation.

The following are the members of the Audit Committee:

Member	Independence	Financially Literate
Mike Stier	Non-independent ⁽¹⁾	Yes
Chris Cooper	Independent ⁽¹⁾	Yes
Don Currie	Independent ⁽¹⁾	Yes

Notes:

(1) Within the meaning of NI 52-110.

Relevant Education and Experience

In addition to each member’s general business experience, the education and experience of each Audit Committee member is set out in “Directors and Officers” above.

Mandate and Responsibilities of the Audit Committee

The Audit Committee’s mandate and responsibilities include: (i) reviewing and recommending for approval to the Board the financial statements, accounting policies that affect the statements, annual MD&A and associated press releases; (ii) being satisfied that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements and periodically assessing those procedures; (iii) establishing and maintaining compliant procedures regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; (iv) overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing such other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting; (v) pre-approving all non-audit services to be provided to the Corporation or its subsidiary entities by the external auditor; (vi) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Corporation; and (vii) reviewing and approving the Corporation’s hiring policies regarding partners, employees, and former partners and employees of the present and former external auditor of the Corporation.

The Audit Committee is to meet at least quarterly to review financial statements and MD&A and to meet with the Corporation’s external auditors at least once a year.

Audit Committee Oversight

At no time since the date of incorporation on June 4, 2018 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the date of incorporation on June 4, 2018, has the Corporation relied on the exemption in section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

The Corporation will rely on the exemptions provided for “venture issuers” in section 6.1 of NI 52-110 with respect to Part 3 – Composition of the Audit Committee and Part 5 – Reporting Obligations.

Pre-Approval Policies and Procedures

The Audit Committee is required to approve the engagement of the Corporation’s external auditors in respect of non-audit services.

External Auditor Service Fees (By Category)

The Audit Committee has reviewed the nature and amount of the non-audit services provided by Davidson & Company LLP to ensure auditor independence. The following table sets out the aggregate fees billed by Davidson & Company LLP from the date of incorporation to [●] for each category of fees described:

Financial Period Ended December 31, 2018	Audit Fees ⁽¹⁾	Audit Related Fees ⁽²⁾	Tax Fees ⁽³⁾	All Other Fees ⁽⁴⁾
	\$20,000	-	-	\$135,000

Notes:

- (1) "Audit Fees" includes fees necessary to perform the annual audit and quarterly reviews of the Corporation's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) "All Other Fees" include all other non-audit services, as well as audit fees in respect of the License Holder.

CORPORATE GOVERNANCE

National Policy 58-201 - *Corporate Governance Guidelines* of the Canadian Securities Administrators has set out best practice guidelines for effective corporate governance (the "**Guidelines**"). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members.

Set out below is a description of the Corporation's corporate governance practices in accordance with NI 58-101, based on the Guidelines.

Board of Directors

For the purposes of NI 58-101, a director is considered to be independent if he or she does not have any direct or indirect material relationship with the Corporation. A material relationship is in turn defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with such member's independent judgement. The Board has determined that a majority of the directors of the Corporation are "independent" within the meaning of NI 58-101.

Pursuant to NI 52-110, a director is considered independent if he or she has no direct or indirect material relationship with the Corporation that the Board believes could reasonably be perceived to materially interfere with his or her ability to exercise independent judgment. NI 52-110 sets out certain situations where a director is deemed to have a material relationship with the Corporation.

The Board is currently comprised of three directors, two of whom are independent within the meaning of NI 52-110. Chris Cooper and Don Currie are independent directors. Mike Stier is not considered to be independent.

Directorships

Certain of the directors of the Corporation are also directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction as follows:

Name of Director	Other Reporting Issuer (or equivalent in a foreign jurisdiction)
Chris Cooper	Voltaic Minerals Corp. (TSX Venture Exchange) Magnitude Mining Ltd. (TSX Venture Exchange) Fusion Gold Ltd. (TSX Venture Exchange) Bullion Gold Resources Corp. (TSX Venture Exchange) StartMonday Technology Corp. (TSX Venture Exchange) Leocor Ventures Inc. (Canadian Securities Exchange) Counterpath Corporation (Toronto Stock Exchange) Alpha Lithium Corp. (TSX Venture Exchange) Aroway Energy Inc. (TSX Venture Exchange)
Don Currie	Hillcrest Petroleum Ltd. (TSX Venture Exchange)

Orientation and Continuing Education

While the Corporation currently has no formal orientation and education program for new Board members, sufficient information is provided to any new Board member to ensure that new directors are familiarized with the Corporation's business and the procedures of the Board. In addition, new directors are encouraged to visit and meet with management on a regular basis.

Ethical Business Conduct

The Board monitors the ethical conduct of the Corporation and ensures that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and stock exchanges. The Board has found that the fiduciary duties placed on individual directors by the Corporation's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Corporation.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, and disclose to the Board the nature and extent of any interest of the director in any material contract or material transaction, whether made or proposed, if the director is a party to the contract or transaction, is a director or officer (or an individual acting in a similar capacity) of a party to the contract or transaction or has a material interest in a party to the contract or transaction.

Nomination of Directors

The Board performs the functions of a nominating committee with responsibility for the appointment and assessment of directors. The Board believes that this is a practical approach at this stage of the Corporation's development. While there are no specific criteria for Board membership, the Corporation attempts to attract and maintain directors with a wealth of business knowledge and a particular knowledge of the Corporation's industry or other industries, which provide knowledge. As such, nominations tend to be the result of recruitment efforts by management of the Corporation and discussions among the directors prior to the consideration of the Board as a whole.

Compensation

The Corporation has not yet established a compensation committee and to date, the Board as a whole is responsible for determining the compensation of directors and the CEO, and for reviewing the CEO's recommendations regarding compensation of the other executive officers of the Corporation. No formal compensation program or benchmarking has been established given the size and stage of the

Corporation. Notwithstanding the foregoing, upon completion of the Acquisition Transaction, pursuant to the Colwell Employment Agreement, Robert Colwell will be paid a monthly salary of USD\$10,000 for his services as CEO of the Corporation New Leaf USA and will receive 1,829,338 Employment Shares at a deemed price of \$0.25 per Employment Share and will be eligible to participate in the Equity Incentive Plan. In addition, pursuant to the Gorodnitsky Employment Agreement, Boris Gorodnitsky will be paid a monthly salary of USD\$10,000 for his services as President of the New Leaf USA and will receive 1,829,338 Employment Shares at a deemed price of \$0.25 per Employment Share and will be eligible to participate in the Equity Incentive Plan.

Other Board Committees

The Board has no committees other than the Audit Committee. Going forward, the Board will review its corporate governance practices and consider, among other matters, whether it would be desirable to establish additional committees of the Board.

Assessments

The Board has not yet established a formal performance review process for assessing the effectiveness of the Board, the audit committee or the individual directors. It is expected that the contributions of an individual director are informally monitored by the other Board members, having in mind the business strengths of the individual and the reasons for which the individual was nominated for appointment to the Board. The Corporation will continue to develop its approach to corporate governance in light of its own circumstances and what are recognized as best practices in this area.

RISK FACTORS

Investing in the Corporation involves significant risks. An investor should carefully consider the risks described below. The risks and uncertainties described below are those that the Corporation currently believes to be material, but they are not the only ones that the Corporation faces. If any of the following risks, or any other risks and uncertainties that the Corporation has not yet identified or that the Corporation currently consider not to be material, actually occur or become material risks, the Corporation's business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the market price of the Corporation could decline and an investor could lose part or all of such investor's investment.

Risks Related to the Corporation

Forward-looking information.

The forward-looking information included in this prospectus relating to, among other things, the Corporation's future results, performance, achievements, prospects, targets, plans, objectives, goals, milestones, intentions or opportunities or the markets in which we operate is based on opinions, assumptions and estimates made by the Corporation's management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Corporation believes are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. The Corporation's actual results in the future may vary significantly from the historical and estimated results and those variations may be material. We make no representation that its actual results in the future will be the same, in whole or in part, as those included in this prospectus.

No operating history.

As the Corporation has not yet begun generating revenue, it is extremely difficult to make accurate predictions and forecasts of its finances. This is compounded by the fact the Corporation intends to operate in the cannabis industry, which is rapidly transforming. There is no guarantee that the Corporation's operations will be profitable.

Going concern risk.

The financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Corporation's future operations are dependent upon the identification and successful completion of equity or debt or other financing and the achievement of profitable operations with respect to provide consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to the License Holder. There can be no assurances that the Corporation will be successful in achieving profitability.

The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Corporation be unable to continue as a going concern.

Negative cash flow for the period ended September 30, 2019.

The Corporation had negative operating cash flow for the period ended September 30, 2019. To the extent that the Corporation has negative operating cash flow in future periods, it may need to allocate a substantial portion of its cash reserves to fund such negative cash flow. The Corporation may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Corporation will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Corporation. The Corporation's actual financial position and results of operations may differ materially from the expectations of the Corporation's management. As a result, the Corporation's revenue, net income and cash flow may differ materially from the Corporation's projected revenue, net income and cash flow. The process for estimating the Corporation's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Corporation's financial condition or results of operations.

In the event that any of the Corporation's investments, or any proceeds thereof, any dividends or distributions there from, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Corporation to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

Reliance on single stream of income.

Following completion of the Acquisition Transaction, the Corporation will indirectly own 100% of the shares and the business of New Leaf USA. New Leaf USA is a Washington holding company, holding 100% interests in subsidiary entities (the Subsidiaries) engaging in business ancillary to cannabis and holding equipment, a real estate lease and intellectual property. These businesses have material contracts with the Washington-state cannabis License Holder. The License Holder holds a "marijuana producer" license and "marijuana processor" license both issued by the WSLCB. The New Leaf Entities' activities and resources have been focused on Washington. Following completion of the Acquisition Transaction, the Corporation expects to primarily be in a business relationship with the License Holder for the foreseeable future. Adverse changes or developments affecting the License Holder, or marijuana businesses generally, could have a material and adverse effect on the Corporation's business, financial

condition and prospects. If the License Holder was to discontinue or fundamentally change their business, the Corporation's business may fail and shareholders may lose their investment.

Nature of the business model.

Following completion of the Acquisition Transaction, the primary business of the Corporation (through the New Leaf Entities) is intended to be engaging in business ancillary to cannabis and holding equipment, real estate leasing and intellectual property through material contracts with the License Holder. Because the production and sale of recreational cannabis remains illegal under federal law, it is possible that the License Holder and/or the Corporation, should the Corporation be deemed to be engaged in marijuana related activity, will be forced to cease operations. The U.S. federal government, through both the Drug Enforcement Agency (“**DEA**”) and Internal Revenue Service (“**IRS**”), has the right to actively investigate, audit and shut-down marijuana growing facilities, processors and retailers. The U.S. federal government may also attempt to seize the Corporation's property. Any action taken by the DEA and/or the IRS to interfere with, seize, or shut down the Corporation's or License Holder's operations will have an adverse effect on the Corporation's business, operating results and financial condition.

Possible licenses jeopardy.

Any problems associated with the business of the License Holder will have an adverse effect on the Corporation's business, operating results and financial condition. Washington State has a very rigid regulatory framework. Problems associated with the License Holder may include loss of WSLCB licenses to do business, delays and other problems in production, regulatory interference, including inspections and penalties for violations of the Washington Administrative Code, which may include loss of the license. The License Holder may have undertaken activities that were non-compliant and therefore there is no certainty that the License Holder will continue to hold the license for any amount of time. The WSLCB licenses to produce and process recreational and/or medical marijuana are subject to annual renewal. Renewal of the licenses is not guaranteed. Any of the above may affect the revenues and operations of the business; or cause additional unforeseen circumstances.

Possible asset seizure.

The Equipment acquired by EquipmentCo pursuant to the Acquisition Transaction is subject to encumbrances in the form of liens and other charges filed in respect of unpaid taxes of the License Holder. To address this, the License Holder has agreed that any amounts payable under the Equipment Promissory Note and the IP Promissory Note, pursuant the terms of the Equipment Escrow Agreement and IP Escrow Agreement, will be first applied to satisfy and discharge all such encumbrances. However, unless and until such encumbrances are satisfied and discharged in full, there is risk that the Equipment could be subject to seizure or forfeiture. Any loss of Equipment could have an adverse effect on the Corporation's business, operating results and financial condition.

In addition, the License Holder's assets are also subject to the same liens and charges in respect of unpaid taxes of the License Holder. Unless and until such encumbrances are satisfied and discharged in full, there is risk that the License Holder's assets could be subject to seizure or forfeiture. Any loss of such assets could have an adverse effect on the License Holder, and therefore, have an adverse effect on the Corporation's business, operating results and financial condition.

Probable lack of business diversification.

Because the Corporation will be focused on developing its business ancillary to the cannabis industry, the hemp business, and potentially directly in the cannabis industry, the prospects for the Corporation's success will be dependent upon the future performance and market acceptance of the Corporation's intended facilities, products, processes, and services. Unlike certain entities that have the resources to develop and explore numerous product lines, operating in multiple industries or multiple areas of a single industry, the Corporation does not anticipate the ability to immediately diversify or benefit from the possible spreading of risks or offsetting of losses. Again, the prospects for the Corporation's success may become dependent upon the development or market acceptance of a very limited number of facilities, products, processes or services.

Competition.

Many other businesses in the Washington State engage in similar activities to the Corporation, leasing commercial space to “marijuana producers” and “marijuana processors”, and providing additional products and services to similar customers.

An increase in the companies competing in this industry could limit the ability of the Corporation to expand its operations. Current and new competitors may have better capitalization, a longer operating history, more expertise and able to develop higher quality equipment or products, at the same or a lower cost. The Corporation cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Corporation could have a material adverse effect on its business, operating results and financial condition.

Ongoing costs for infrastructure, growth, regulatory compliance and operations.

The Corporation expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Corporation’s results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Corporation’s operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Corporation. The Corporation’s efforts to grow its business may be costlier than the Corporation expects, and the Corporation may not be able to increase its revenue enough to offset its higher operating expenses. The Corporation may incur significant losses in the future for a number of reasons, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Corporation is unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease.

Additional regulatory burden resulting from its public listing on the CSE.

The Corporation has not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the CSE. The Corporation is working with its legal, accounting and financial advisors to identify those areas in which changes should be made to the Corporation’s financial management control systems to manage its obligations as a public company listed on the CSE. These areas include corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. The Corporation has made, and will continue to make, changes in these and other areas, including the Corporation’s internal controls over financial reporting. However, the Corporation cannot assure holders of Corporation’s shares that these and other measures that the Corporation might take will be sufficient to allow us to satisfy the Corporation’s obligations as a public company listed on the CSE on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies listed on the CSE will create additional costs for the Corporation and will require the time and attention of management. The Corporation cannot predict the amount of the additional costs that the Corporation might incur, the timing of such costs or the impact that management’s attention to these matters will have on the Corporation’s business.

Inadequate protection of proprietary and intellectual property rights, particularly in the U.S.

The Corporation’s ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Corporation is able to do so, to protect any proprietary rights of the Corporation, the Corporation intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Corporation’s intellectual property:

- the market for the Corporation’s products and services may depend to a significant extent upon the goodwill associated with its trademarks and trade names, and its ability to obtain federal registration certain of its intellectual property law is impaired by the illegality of cannabis under U.S. federal law;

- patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products;
- the Corporation's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
- issued patents, trademarks and registered copyrights may not provide the Corporation with competitive advantages;
- the Corporation's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;
- the Corporation's efforts may not prevent the development and design by others of products or marketing strategies similar to or competitive with, or superior to those the Corporation develops;
- another party may assert a blocking patent and the Corporation would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; or
- the expiration of patent or other intellectual property protections for any assets owned by the Corporation could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Corporation and its financial results will depend, among other things, upon the nature of the market and the position of the Corporation's products in the market from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

The Corporation may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Corporation's business. The existence and/or outcome of any such litigation could harm the Corporation's business. Further, because the content of much of the Corporation's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions or under federal law, the Corporation may face additional difficulties in defending its intellectual property rights.

Litigation and lawsuits.

The Corporation may be named as a defendant in a lawsuit or regulatory action. The Corporation may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability, environmental liability and business loss claims. Any such losses could have a material adverse effect on the Corporation's business, results of operations, sales, cash flow or financial condition.

Key personnel.

The Corporation's success will depend upon its ability to attract and retain key management, including the Corporation's CEO, CFO, and technical experts. The Corporation will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Corporation's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Corporation's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Corporation, results of operations of the business and could limit the Corporation's ability to develop and market its cannabis-related products. The loss of any of the Corporation's senior management or key employees could materially adversely affect the Corporation's ability to execute the Corporation's business plan and strategy, and the Corporation may not be able to find adequate replacements on a timely basis, or at all.

Failure to successfully integrate acquired businesses and other assets.

The consummation and integration of the New Leaf Entities, as well as any other acquired business or other assets into the Corporation may be complex and time consuming and, if such businesses and assets are not successfully integrated, the Corporation may not achieve the anticipated benefits, cost-savings or growth opportunities. Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to further the Corporation's business strategy as anticipated, expose the Corporation to increased competition or other challenges with respect to the Corporation's products or geographic markets, and expose the Corporation to additional liabilities associated with an acquired business, technology or other asset or arrangement.

Pursuant to the Acquisition Transaction, the Corporation will acquire an option to purchase the License Holder's licenses, should the laws of Washington State change to allow non-resident owners of such license; however, the procurement of such license generally will be subject to governmental and regulatory approval. There are no guarantees that the transfer of the license will ever be approved by the WSLCB.

Lack of market comparables.

Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Corporation and few, if any, established companies whose business model the Corporation can follow or upon whose success the Corporation can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Corporation. There can be no assurance that the Corporation's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

Rapid growth and consolidation of the cannabis industry.

The cannabis industry and businesses ancillary to and directly involved with cannabis businesses are undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Corporation in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Corporation to expend greater resources to meet new or additional competitive threats, all of which could harm the Corporation's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Corporation's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability. The Corporation continues to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.

There is no guarantee that the Corporation will be able to achieve its business objectives. The continued development of the Corporation may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Corporation going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Corporation.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. The Corporation's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Corporation have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Common Shares will be issued by the Corporation in connection with Awards granted under the Equity Incentive Plan and upon the exercise of outstanding warrants. In addition, from time to time, the Corporation may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Corporation's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital

raising activities and other financial and operational matters, which may make it more difficult for the Corporation to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Corporation may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Corporation's ability to pursue its business objectives.

Insurance coverage.

The Corporation believes the New Leaf Entities currently have insurance coverage with respect to workers' compensation, general liability, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate; however, because the New Leaf Entities are engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Corporation and the New Leaf Entities to suffer uninsured losses, which could adversely affect the Corporation's business, results of operations, and profitability. There is no assurance that the Corporation or the New Leaf Entities will be able to fully utilize such insurance coverage, if necessary.

High bonding and insurance costs.

Although it will vary from state to state in the U.S., there is risk that some or all of the state regulatory agencies will begin requiring entities and individuals engaged in certain aspects of the business or industry of legal cannabis to post a bond when applying for a dispensary license or renewal as a guarantee of payment of sales and franchise tax. However, this risk may not be relevant to all aspects of the business or industry of legal cannabis. Given that this industry is relatively new, the Corporation does not have definitive information or enough information to date to completely quantify what such a figure could or would be. It remains an unknown cost that could have a negative impact on the ultimate success of the Corporation and/or the Corporation's participation in the business opportunities ultimately selected.

Reliance on third party suppliers and contractors.

The Corporation intends to maintain a full supply chain for the provision of services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and the United States, the Corporation's third-party suppliers and contractors may elect, at any time, to decline or withdraw services necessary for the Corporation's operations. Loss of its suppliers, service providers or contractors would have a material adverse effect on the Corporation's business and operational results.

Inability to renew material licenses.

The Corporation may be unable to renew or maintain its leases on commercially acceptable terms or at all. An inability to renew its leases, or a renewal of its leases with a rental rate higher than the prevailing rate under the applicable lease prior to expiration, may have an adverse impact on the Corporation's operations, including disruption of its operations or an increase in its cost of operations. In addition, in the event of non-renewal of any of the Corporation's leases, the Corporation may be unable to locate suitable replacement properties for its facilities or it may experience delays in relocation that could lead to a disruption in its operations. Any disruption in the Corporation's operations could have an adverse effect on its financial condition and results of operations.

Fraudulent or illegal activity by employees, contractors and consultants.

The Corporation will be exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Corporation that violate government regulations. It is not always possible for the Corporation to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Corporation to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Corporation from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Corporation, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on

the Corporation's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Corporation's operations, any of which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Reliance on information technology systems and risk of cyberattacks.

The Corporation will enter into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Corporation's operations will depend, in part, on how well it and its contractors and consultants protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Corporation's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Corporation's reputation and results of operations.

The Corporation has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Corporation will not incur such losses in the future. The Corporation's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Corporation may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Director and officer conflicts of interest.

The Corporation may be subject to various potential conflicts of interest because some of its officers and directors (and consequently, some of the officers and directors of the New Leaf Entities) may be engaged in a range of business activities. In addition, the Corporation's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Corporation. In some cases, the Corporation's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Corporation's business and affairs and that could adversely affect the Corporation's operations. These business interests could require significant time and attention of the Corporation's executive officers and directors.

In addition, the Corporation may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or companies with which the Corporation may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Corporation. In addition, from time to time, these persons may be competing with the Corporation for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Corporation's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Corporation are required to act honestly, in good faith and in the best interests of the Corporation.

Damage to the Corporation's reputation.

Damage to the Corporation's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to

communicate and share opinions and views regarding the Corporation and its activities, whether true or not. Although the Corporation believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Corporation does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Corporation's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Currency fluctuations.

The Corporation's revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Corporation's business, financial condition and operating results. The Corporation may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Corporation develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Constraints on marketing products.

The development of the Corporation's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the United States limits the Corporation's ability to compete for market share in a manner similar to other industries. If the Corporation is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Corporation's sales and operating results could be adversely affected.

Risk Factors Specifically Related to the United States Regulatory System

New and highly regulated industry.

The Corporation incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Corporation and, therefore, on the Corporation's prospective returns. Further, the Corporation may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. Changes in government levies, including taxes, could reduce the Corporation's earnings and could make future capital investments or the Corporation's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Illegality of activities under United States federal and state law.

While the Corporation's planned business is intended to be ancillary to cannabis and its activities are expected to be compliant with applicable state and local law, cannabis activities remain illegal under United States federal law and the business activities of the Corporation will be involved in will be with

businesses engaged in the cannabis industry in the U.S. where local and state laws permit such activities or provide limited defenses to criminal prosecutions.

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical marijuana under the Access to Cannabis for Medical Purposes Regulations, investors are cautioned that in the United States, marijuana remains illegal at the federal level and is regulated at the state level. Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the CSA. If the Corporation's business activities in the United States were determined to be cannabis activities, an investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including but not limited to disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Corporation, including its reputation and ability to conduct business, its holding (directly or indirectly) of marijuana licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares.

In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

In addition, since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, the Corporation may be deemed to be aiding and abetting illegal activities through the contracts it has entered into and the products that it intends to provide. The Corporation intends to lease real estate, provide material supply agreement, and provide intellectual property to the licensed "marijuana producer" and "marijuana processor" License Holder in Washington State. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Corporation, including, but not limited to, aiding and abetting another's criminal activities. The Federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Corporation may be forced to cease operations and its investors could lose their entire investment and could face federal civil and/or criminal prosecution. Such an action would have a material negative effect on our business and operations.

In addition, although the state in which the Corporation operates has decriminalized recreational and medical marijuana activities, all other marijuana uses or activities remain illegal under state law. Consequently, any marijuana activity that falls outside the statutorily permitted recreational and/or medical marijuana activity could result in local and state law enforcement actions. Any criminal law enforcement under state or local law would have a material adverse effect on the Corporation's business and operations.

Enforcement of relevant laws.

Thirty-three of the states in the U.S. Washington D.C., Puerto Rico, the U.S. Virgin Islands and Guam, have enacted comprehensive legislation to regulate the sale and use of medical and/or recreational cannabis. Notwithstanding the permissive regulatory environment of medical and/or recreational cannabis at the state level, cannabis continues to be categorized as a Schedule 1 controlled substance under the Controlled Substances Act. As such, cannabis-related practices or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution of cannabis, are illegal under U.S. federal law. Strict compliance with state laws with respect to cannabis will neither absolve the

Corporation or its investors of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Corporation or any investor. Any such proceedings brought against the Corporation or its investors may adversely affect the Corporation's operations and financial performance.

Because of the conflicting views between state legislatures and the federal government of the U.S. regarding cannabis, cannabis-related operations and investments in cannabis businesses in the U.S. are subject to inconsistent legislation, regulation, and enforcement. Unless and until the U.S. Congress amends the Controlled Substances Act with respect to cannabis or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which would adversely affect the Corporation's operations in the U.S. along with any future investments of the Corporation in the U.S. As a result of the tension between state and federal law, there are a number of risks associated with the Corporation's operations and potential future investments in the U.S.

For the reasons set forth above, the Corporation's interests in the U.S. cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS refuse to settle trades for cannabis issuers that have cannabis-related operations and/or investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, the TMX Group announced the signing of a the TMX MOU with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange. The Corporation's proposed activities and operations in the U.S. will be subject to evolving regulation by state and federal governmental authorities.

The Corporation's proposed operations will be exclusively focused in Washington, a state that has legalized the recreational use of cannabis. Currently, the states of Alaska, California Colorado, Illinois (effective January 1, 2020), Maine, Massachusetts, Nevada, Oregon, Vermont and the District of Columbia have also legalized recreational use of cannabis. Over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis. However, the U.S. federal government has not enacted similar legislation. As such, the cultivation, manufacture, distribution, sale and use of cannabis remains illegal under U.S. federal law.

Further, on January 4, 2018, then U.S. Attorney General Jeff Sessions formally rescinded the standing U.S. Department of Justice federal policy guidance governing enforcement of marijuana laws, as set forth in a series of memos and guidance from 2009-2014, principally the Cole Memorandum. The Cole Memorandum generally advised prosecutorial forbearance by U.S. Attorneys for marijuana activates that are compliant with state laws, provided enumerated enforcement priorities were not implicated. The rescission of this memo and other Obama-era prosecutorial guidance did not create a change in federal law as the Cole Memorandum were never legally binding; however, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the

Cole Memorandum's guidelines should not be a prosecutorial priority. The federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the above memorandums does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the federal government will not enforce such laws in the future.

Additionally, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it extremely difficult or impossible to transact business in the cannabis industry. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Corporation's operations along with any future investments in such businesses would be materially and adversely affected. Federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Corporation, its business and its potential investments.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018 the Canadian Securities Administrators published a Staff Notice 51-352 setting out its disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. The Corporation views this staff notice favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Corporation's ability to pursue future investment and opportunities in the U.S.

The concepts of "medical cannabis" and "retail cannabis" do not exist under U.S. federal law because the U.S. Controlled Substances Act classifies "marijuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remain illegal under U.S. federal law. Although the Corporation's activities are compliant with applicable U.S. state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Corporation of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Corporation. Any such proceedings brought against the Corporation may adversely affect the Corporation's operations and financial performance.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Corporation, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the U.S., the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Corporation to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

There is still uncertainty surrounding the Trump Administration and current U.S. Attorney General William Barr and whether future influence and enacted policies will be in opposition to the U.S. cannabis industry as a whole.

Were the Corporation's business activities deemed to be cannabis business activity, and not ancillary to the cannabis industry, many factors could cause the Corporation's actual results, performances and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors:

- The Corporation operates in the cannabis sector in the U.S., where cannabis is federally illegal;
- The activities of the Corporation are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;
- Third parties with which the Corporation does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Corporation's cannabis business activities;
- The Corporation's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws;
- Under Section 280E of the Internal Revenue Code, normal business expenses incurred in the business of selling marijuana and its derivatives are not deductible in calculating income tax liability. Therefore, the Corporation will be precluded from claiming certain deductions otherwise available to non-marijuana businesses. As a result, an otherwise profitable business may in fact operate at a loss after taking into account its income tax expenses. There is no certainty that the Corporation will not be subject to 280E in the future, and accordingly, there is no certainty that the impact that 280E has on the Corporation's margins will ever be reduced;
- Federal prohibitions result in marijuana businesses being potentially restricted from accessing the U.S. federal banking system, and the Corporation and its subsidiaries may have difficulty depositing funds in federally insured and licensed banking institutions. This may lead to further related issues, such as the potential that a bank will freeze the Corporation's accounts and risks associated with uninsured deposit accounts. There is no certainty that the Corporation will be able to maintain its existing accounts or obtain new accounts in the future; and
- Although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future.

Heightened scrutiny of investments and operations in the United States.

For the reasons set forth above, the Corporation's proposed investments and operations in the United States, and any future investments or operations, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Corporation may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Corporation's ability to invest or retain assets or operations in the United States or any other jurisdiction.

Although the TMX MOU has confirmed that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of any stock exchange.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in the U.S. or elsewhere. A negative shift in the public's perception of cannabis in

the U.S. or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize cannabis, thereby limiting the number of new state jurisdictions into which the Corporation could expand, should it decide to do so. The Corporation's inability to expand its operations into other jurisdictions may have a material adverse effect on the Corporation's business, financial condition and results of operations.

Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the *Access to Cannabis for Medical Purposes Regulations*, investors are cautioned that in the U.S., cannabis is largely regulated at the state level. Notwithstanding the permissive regulatory environment of medical and recreational cannabis at the state level in certain states, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the U.S. and as such, may be in violation of federal law in the U.S.

As previously stated, although the Cole Memorandum has been rescinded, one legislative safeguard for the medical cannabis industry remains in place, the Rohrabacher Blumenauer Amendment (originally the Rohrabacher Farr Amendment) that has been included in federal annual spending bills since 2014. This amendment restricts the Department of Justice from using federal funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession or cultivation of medical cannabis. Most recently, on February 15, 2019 the Rohrabacher Blumenauer Amendment was renewed as part of an omnibus spending bill in effect through September 30, 2019. President Trump added a signing statement in respect of the amendment that reads as follows: "Division C, section 537, provides that the Department of Justice may not use any funds to prevent implementation of medical marijuana laws by various States and territories. I will treat this provision consistent with the President's constitutional responsibility to faithfully execute the laws of the United States."

American courts have construed the Rohrabacher Blumenauer Amendment to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the Controlled Substances Act, any individual or business—even those that have fully complied with state law—could be prosecuted for violations of federal law. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations and provide no protection against businesses operating in compliance with a state's recreational cannabis laws.

As previously stated, violations of any federal laws and regulations could, in addition to criminal prosecution, result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Corporation, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the U.S., the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Corporation to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Enforcement of cannabis laws may be subject to change.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical or recreational cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or recreational cannabis, thereby limiting the number of new state jurisdictions into which the Corporation could expand. Any inability to fully implement the Corporation's business strategy may have a material adverse effect on the Corporation's business, financial condition and results of operations.

Denial of management, employees and/or investors entry into the U.S.

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of the U.S. Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. Business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, U.S. Customs and Border Protection released a statement outlining its current position with respect to enforcement of the laws of the United States. On October 9, 2018, U.S. Customs and Border Protection provided an update to such statement. It stated that Canada's legalization of cannabis will not change U.S. Customs and Border Protection enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal or Canada may affect admissibility to the U.S. As a result, U.S. Customs and Border Protection has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as the Corporation), who are not U.S. citizens face the risk of being barred from entry into the United States for life. The Corporation's business and investments are located in the United States and while the majority of the Corporation's directors, officers and employees are currently resident and located in the United States, if any of the Corporation's directors, officers and employees are determined to be inadmissible to enter the United States, this could have a negative impact on the Corporation's ability to operate in the United States. In addition, the perception that involvement in the cannabis industry could lead to inadmissibility to the United States could make it more difficult for the Corporation to engage qualified directors, officers and employees in the future.

Regulatory scrutiny may negatively impact ability to raise capital.

The Corporation's proposed business activities rely on newly established and/or developing laws and regulations in Washington State. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Corporation's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Advisory or other federal, Washington State or other applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Corporation's industry may adversely affect the business and operations of the Corporation, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Corporation.

Difficulty accessing service of banks and processing credit card payments.

In February 2014, the FinCEN bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration.

In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the

Corporation may have limited or restricted access to banking or other financial services in the United States. The inability or limitation in the Corporation's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Corporation to operate and conduct its business as planned. The Corporation will pursue alternatives that ensure its operations will be compliant with the FinCEN guidance and existing disclosures around cash management and reporting to the IRS once it moves from development into production.

Unavailability of U.S. federal trademark and patent protection.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Corporation. As a result, the Corporation's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Corporation can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

Unavailability of U.S. bankruptcy protection.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal bankruptcy protection, may not be available to the Corporation. Federal bankruptcy courts have held a party may not seek bankruptcy relief while violating or continuing to violate U.S. federal law. This prohibition can extend to businesses providing ancillary services to business in the marijuana industry.

The Corporation's contracts may not be legally enforceable in the United States.

Because the Corporation's contracts will involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Corporation may face difficulties in enforcing such contracts in U.S. federal and certain state courts.

Risk of banks and other financial institutions violating certain financial laws.

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. The Corporation may also be exposed to the foregoing risks.

In the event that any of the Corporation's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Corporation to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Corporation has no current intention to declare or pay dividends in the foreseeable future, in the event that a determination was made that any such investments in the United States could reasonably be shown to constitute proceeds of crime, the Corporation may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Risks Related to the Regulatory Environment

Uncertainty regarding legal and regulatory status and changes.

Achievement of the Corporation's business objectives is also contingent, in part, upon compliance with other regulatory requirements enacted by governmental authorities and obtaining other required regulatory approvals. The regulatory regime applicable to the cannabis business in Canada and the US is currently undergoing significant proposed changes and the Corporation cannot predict the impact of the regime on its business once the structure of the regime is finalized. Similarly, the Corporation cannot predict the timeline required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failing to obtain, required regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Corporation. The Corporation will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Corporation's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Corporation's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

Risk of regulatory or political change.

The implementation of the Corporation's business plan is subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis and also laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Corporation may cause adverse effects to the Corporation. There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Similarly, in Canada, provincial laws and regulation may change in a way that is unfavorable to the Corporation's business. Local and city ordinances may decide to strictly limit and/or restrict the distribution of cannabis in a manner that will make it extremely difficult or impossible to transact business in the cannabis industry. If the US federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Corporation's investments in such businesses would be materially and adversely affected notwithstanding the fact that the Corporation is not directly engaged in the sale or distribution of cannabis. Federal actions against any individual or entity engaged in the cannabis industry or a substantial repeal of cannabis related legislation could adversely affect the Corporation, its business and its investments.

The success of the business strategy of the Corporation depends on the legality of the cannabis industry. The political environment surrounding the cannabis industry in general can be volatile and the regulatory framework remains in flux. The medical and recreational cannabis industry is subject to significant regulatory change at both the state and federal level. If the Corporation and the New Leaf Entities are unable to respond appropriately to changing federal and state regulations, it may not be successful in capturing significant market share. The inability of the Corporation to respond to the changing regulatory landscape could harm its business. Although many states have implemented legislation to legalize and regulate the cultivation, sale, possession and use of cannabis, and additional states have pending legislation regarding the same, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting the Corporation's ability to successfully invest and/or participate in the selected business opportunities.

Further, delays in enactment of new state or federal regulations could restrict the ability of the Corporation to reach strategic growth targets and lower return on investor capital. The strategic growth strategy of the Corporation may be impacted by certain federal and state regulations being enacted to facilitate the legalization of medical and recreational cannabis. If such regulations are not enacted, or enacted but

subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of the Corporation, and thus, the effect on the return of investor capital, could be negatively impacted. The Corporation is unable to predict with certainty when and how the outcome of these complex, legal, regulatory, and legislative proceedings will affect its business and growth.

Furthermore, there may be unknown additional regulatory fees and taxes that may be assessed in the future. The Corporation is aware that multiple states are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could change the net income and return on the Corporation's investments and/or participation in the selected business opportunities.

Anti-money laundering laws and regulations.

The Corporation will be subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada. In the event that any of the Corporation's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Corporation to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

Regulatory or agency proceedings, investigations and audits.

The Corporation's business, and the business of the License Holder, requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject us or the License Holder to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. The Corporation or the License Holder may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm our reputation or the reputations of the brands that we sell, require us to take, or refrain from taking, actions that could harm our operations or require us to pay substantial amounts of money, harming our financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on our business, financial condition and results of operations.

Environmental, health and safety laws.

The Corporation will be subject to environmental, health and safety laws and regulations in each jurisdiction in which the Corporation operates in. Such regulations govern, among other things, emissions of pollutants into the air, wastewater discharges, waste disposal, the investigation and remediation of soil and groundwater contamination, and the health and safety of the Corporation's employees. The Corporation may be required to obtain environmental permits from governmental authorities for certain of its current or proposed operations. If the Corporation should violate or fail to comply with these regulations or permits, the Corporation could be fined or otherwise sanctioned by regulators.

As with other companies engaged in similar activities or that own or operate real property, the Corporation faces inherent risks of environmental liability at its current and historical production sites. Certain environmental laws impose strict and, in certain circumstances, joint and several liability or

current or previous owners or operations of real property for the cost of the investigation, removal or remediation of hazardous substances as well as liability for related damages to natural resources. In addition, the Corporation may discover new facts or conditions that may change its expectations or be faced with changes in environmental laws or their enforcement that would increase its liabilities. Furthermore, its costs of complying with current and future environmental and health and safety laws, or the Corporation's liabilities arising from past or future releases of, or exposure to, regulated materials, may have a material adverse effect on its business, financial condition and results of operations.

Risks Related to the Acquisition Transaction

Failure to realize anticipated benefits of the Acquisition Transaction.

The Corporation is proposing to complete the Acquisition Transaction for the purposes of positioning the Corporation to achieve its objective of building core operating assets.

Assuming successful completion of the Acquisition Transaction, the New Leaf USA Entities will be wholly-owned subsidiaries of the Corporation, and through which the Corporation will provide consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to the License Holder. The Corporation expects to generate returns from any or all of the following revenue sources: (i) providing the Services to the License Holder; and (ii) leasing the Facility, Equipment and IP to the License Holder. Separately, New Leaf USA entered into the Option Agreement with the License Holder, pursuant to which New Leaf USA may purchase the underlying cannabis license of the License Holder should the laws of Washington State change to allow non-resident owners of such license.

Achieving the benefits of the Acquisition Transaction depends in part on successfully integrating the New Leaf Entities in a timely and efficient manner. The integration of the New Leaf Entities will require the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities. The integration process may result in the loss of key employees and service providers and the disruption of ongoing business and employee relationships that may adversely affect the Corporation's ability to achieve the anticipated benefits of the Acquisition Transaction. See: "*The Acquisition Transaction*".

Possible failure to complete the Acquisition Transaction.

The Acquisition Transaction is subject to completion of the conditions described herein and normal commercial risk that the Acquisition Transaction may not be completed on the terms negotiated or at all. If closing of the Acquisition Transaction does not take place, the Closing of the Offering will not occur. In addition, if the closing of the Acquisition Transaction and the Closing of the Offering do not occur on or prior to the date that is 90 days from the date a receipt is issued for the final prospectus or such other time as may be permitted by applicable securities legislation and consented to by persons or companies who subscribed within that period and the Agent, the Offering will be discontinued. Notwithstanding the foregoing, the total period of the Offering must not end more than 180 days from the date of the initial receipt for the final prospectus.

Potential undisclosed liabilities associated with the Acquisition Transaction.

In connection with the Acquisition Transaction, there may be liabilities that the Corporation failed to discover or were unable to quantify in their due diligence which was conducted prior to the execution of the Share Purchase Agreement and we may not be indemnified for some or all of these liabilities.

Holding company structure.

We are a holding company. Upon completion of the Acquisition Transaction, the New Leaf Entities will conduct all of our operations and own substantially all of our tangible assets. Consequently, our cash flow and our ability to meet our obligations or to make other distributions in the future will depend on the cash

flow of our subsidiaries and our subsidiaries' payment of funds to us in the form of distributions, dividends, tax sharing payments or otherwise.

The ability of the New Leaf Entities to make any payments to us will depend on their earnings and cash flow, the terms of their current and future indebtedness, tax considerations and legal and contractual restrictions on their ability to make distributions.

The New Leaf Entities are separate and distinct legal entities. Any right that we have to receive any assets of or distributions from any of the New Leaf Entities upon the bankruptcy, dissolution, liquidation or reorganization, or to realize proceeds from the sale of their assets, will be inferior to the claims of that entity's creditors, including trade creditors and holders of debt that the entity issued.

Risks Related to the Corporation's Securities and the Offering

Immediate dilution.

The Corporation will be issuing approximately 20,000,000 Common Shares, approximately 10,000,000 Warrants, 1,600,000 Agent's Warrants, 4,000,000 Performance Warrants, 3,658,676 Employment Shares and 9,000,000 Consideration Shares, upon Closing of the Offering (assuming no exercise of the Over-Allotment Option), and completion of the Acquisition Transaction. This will be an immediate dilution to the holders of the Common Shares.

Additionally, the Corporation may sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Common Shares) and may issue additional equity securities to finance the Corporation's operations, development, acquisitions or other projects. The Corporation cannot predict the size of future sales and issuances or equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Common Shares. Sales and issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares. With any additional sale or issuance of equity securities, investors will suffer a dilution of their voting power and may experience a dilution in the Corporation's earnings per share.

Discretion in the use of proceeds.

Provided Closing of the Offering occurs, management will have broad discretion concerning the use of the proceeds of the Offering, respectively, as well as the timing of their expenditure. See: "*Use of Available Funds*". As a result, investors will be relying on the judgment of Management for the application of the proceeds of the Offering. Management may use the net proceeds of the Offering in ways that purchasers may not consider desirable. The results and the effectiveness of the application of the net proceeds are uncertain. If the proceeds are not applied effectively, the results of the Corporation's operations may suffer. Management currently intends to allocate the net proceeds received from the Offering as described under "*Use of Available Funds*", however, management may elect to allocate the net proceeds differently from that described under "*Use of Available Funds*" if it believes it would be in the Corporation's best interest to do so. Shareholders may not agree with the manner in which management chooses to allocate and spend the net proceeds of the Offering.

Inability of U.S. Holders to resell Common Shares over the CSE.

It has recently come to Management's attention that all major securities clearing firms in the U.S. have ceased participating in transactions related securities of Canadian public companies involved in the medical or recreational marijuana industry. This appears to be due to the fact that marijuana continues to be listed as a Schedule I controlled substance under U.S. federal law, with the result that marijuana-related practices or activities, including the cultivation, possession or distribution of marijuana, are illegal under U.S. federal law. However, management understands that the action by U.S. securities clearing firms also extends to securities of companies that carry on business operations entirely outside the U.S.

Accordingly, U.S. residents who acquire the Common Shares as “restricted securities” may find it difficult – if not impossible – to resell such shares over the facilities of any Canadian stock or other exchange on which the shares may then be listed. It remains unclear what impact, if any, this and any future actions among market participants in the U.S. will have on the ability of U.S. residents to resell any common shares of the Corporation that they may acquire in open market transactions.

The Corporation does not anticipate paying cash dividends.

The Corporation’s current policy is to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Corporation. Therefore, the Corporation does not anticipate paying cash dividends on the Corporation’s shares in the foreseeable future. The Corporation’s dividend policy will be reviewed from time to time by the Corporation’s board in the context of its earnings, financial condition and other relevant factors. Until the time that the Corporation pays dividends, which the Corporation might never do, Corporation shareholders will not be able to receive a return on their Common Shares unless they sell them.

Market for securities.

No securities of the Corporation are currently listed on any stock exchange and there is no assurance that the Common Shares will be listed or if listed, will provide a liquid market for the Common Shares. Until the Common Shares are listed on a stock exchange, holders of the Common Shares may not be able to sell their securities of the Corporation. Even if a listing is obtained, there can be no assurance that an active public market for the Common Shares will develop or be sustained after the Offering.

There is currently no market through which the Warrants may be sold and the Warrants will not be listed on any securities or stock exchange or any automated dealer quotation system. As a consequence, purchasers may not be able to resell the Warrants purchased under this prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of these securities and the extent of issuer regulation. There can be no assurance that an active trading market for the Warrants will develop or, if developed, that any such market will be sustained.

Volatility and fluctuations in market price of the Common Shares.

The market price for the Corporation’s shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation’s control, including the following:

- actual or anticipated fluctuations in the Corporation’s quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Corporation operates;
- addition or departure of the Corporation’s executive officers and other key personnel;
- release or expiration of lock-up or other transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or the Corporation’s competitors;
- operating and share price performance of other companies that investors deem comparable to us; fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;

- operating and share price performance of other companies that investors deem comparable to the Corporation or from a lack of market comparable companies;
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Corporation's industry or target markets; and
- regulatory changes in the industry.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Corporation's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which might result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Corporation's operations could be adversely affected and the trading price of the Common Shares might be materially adversely affected.

Sales of substantial amounts of the Common Shares.

Sales of a substantial number of Common Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Common Shares intend to sell Common Shares, could reduce the market price of the Common Shares. Additional Common Shares may be available for sale into the public market, subject to applicable securities laws, which could reduce the market price for Common Shares.

Securities or industry analysts.

The trading market for Common Shares could be influenced by the research and reports that industry and/or securities analysts may publish about the Corporation, its business, the market or competitors. If any of the analysts who may cover the Corporation's business change their recommendation regarding the Common Shares adversely, or provide more favourable relative recommendations about its competitors, the share price would likely decline. If any analyst who may cover the Corporation's business were to cease coverage or fail to regularly publish reports on the Corporation, it could lose visibility in the financial markets, which in turn could cause the share price or trading volume to decline.

PROMOTERS

See also "*Executive Compensation*".

Mike Stier, a director and the President and CEO of the Corporation, has been a promoter of the Corporation since its incorporation. Since the incorporation of the Corporation, Mr. Stier has received an aggregate sum of \$125,000 in consulting fees, which such fees were paid through the issuance of 500,000 fully-vested RSRs, with the result that as of the date of this prospectus, Mike Stier beneficially owns, controls, or directs, directly or indirectly 500,000 Common Shares representing 1.10% of the issued and outstanding Common Shares on a non-diluted basis. See also "*Executive Compensation*".

No promoter of the Corporation is, as at the date of this prospectus, or has been within the 10 years prior to the date of this prospectus, a director or executive officer of any person or company that, while the promoter was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No promoter of the Corporation has, within the 10 years prior to the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the promoter.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS MATTERS

Legal Proceedings

The Corporation may from time to time be involved in legal proceedings of a nature considered normal to its business. There are no legal proceedings the Corporation is or was a party to, or that any of its property is or was the subject of, since the beginning of the most recently completed financial year for which financial statements of the Corporation are included in this prospectus.

Regulatory Actions

There have not been any penalties or sanctions imposed against the Corporation by a court relating to provincial or territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Corporation, and the Corporation has not entered into any settlement agreements before a court relating to provincial or territorial securities legislation or with a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, no insider, director or executive officer of the Corporation and no associate of any director, executive officer, or insider has any material interest, direct or indirect, in any transaction within the three years before the date of this prospectus that has materially affected or is reasonably expected to materially affect the Corporation. See: "*Executive Compensation*" and "*Description of the Business*".

Mr. White, a proposed director of the Corporation, controls South Kenyon Street Holdings, LLC, which owns the property located at 470 South Kenyon Street, Seattle Washington and comprises part of the Facility. The Facility consists of 460 South Kenyon Street, a 13,500 square foot building that houses all of the indoor cultivation for the facility, and 470 South Kenyon, a 19,000 square foot building that consists of 7,000 square feet of office space and a shared processing area.

ELIGIBILITY FOR INVESTMENT

The Corporation's shares are not currently listed on a designated stock exchange. In the opinion of Cassels Brock & Blackwell LLP, legal counsel to the Corporation, based on the current provisions of the Tax Act and the Regulations, the Unit Shares, Warrants, and Warrant Shares, if issued on the date hereof, would be qualified investments for trusts governed by a Registered Plan or a DPSP, provided that:

1. in the case of the Unit Shares and Warrant Shares, such shares are listed on a "designated stock exchange" for the purposes of the Tax Act (which currently includes the CSE) or the Corporation qualifies as a "public corporation" (as defined in the Tax Act); and
2. in the case of the Warrants, the Warrant Shares are qualified investments as described in (i) above and the Corporation is not, and deals at arm's length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of such Registered Plan or DPSP.

Notwithstanding the foregoing, the Controlling Individual will be subject to a penalty tax in respect of Unit Shares, Warrant Shares or Warrants acquired by the Registered Plan if such securities are a prohibited

investment for the particular Registered Plan. A Unit Share, Warrant Share or Warrant generally will be a “prohibited investment” for a Registered Plan if the Controlling Individual does not deal at arm’s length with the Corporation for the purposes of the Tax Act or the Controlling Individual has a “significant interest” (as defined in subsection 207.01(4) the Tax Act) in the Corporation. In addition, the Unit Shares, Warrant Shares and Warrants will not be a prohibited investment if such securities are “excluded property” (as defined in the Tax Act for purposes of the prohibited investment rules) for a Registered Plan.

Prospective purchasers who intend to invest through a Registered Plan should consult their own tax advisors with respect to whether Unit Shares, Warrants, or Warrant Shares would be a prohibited investment having regard to their particular circumstances.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Auditors

The Corporation’s auditor is Davidson & Company LLP of 1200-609 Granville St, Vancouver, BC V7Y 1G6.

Transfer Agent and Registrar

The transfer agent and registrar for the Corporation’s securities is Odyssey Trust Corporation at its Vancouver office located at the United Kingdom Building, 323-409 Granville Street, Vancouver, British Columbia, V6C 1T2.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal adviser.

In an offering of Warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the Warrants, respectively, were offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of this right of action for damages or consult with a legal adviser.

MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into (or to be entered into) by the Corporation as at the date hereof which are currently in effect and considered to be material:

1. Share Purchase Agreement;
2. Agency Agreement; and

3. Warrant Indenture.

Copies of the above material contracts can be inspected at our head office during regular business hours for a period of 30 days after a final receipt is issued for this prospectus.

The following material contracts were entered into by the New Leaf Entities in the ordinary course of business:

1. Equipment Lease Agreement;
2. IP License Agreement;
3. Services Agreement;
4. Option Agreement;
5. The lease assignment agreement between RealEstateCo and License Holder with respect to the property located at 460 S. Kenyon St., Seattle Washington;
6. The lease assignment agreement between RealEstateCo and License Holder with respect to the property located at 470 S. Kenyon St., Seattle Washington;
7. SubLease.

EXPERTS

To the knowledge of management, no person or company whose profession or business gives authority to a report, valuation, statement or opinion made by such person or company and who is named in this prospectus as having prepared or certified a part of this prospectus, or a report, valuation, statement or opinion described in this prospectus, has received or shall receive a direct or indirect interest in any securities or other property of the Corporation or any associate or affiliate of the Corporation.

Davidson & Company LLP has confirmed that it is independent of the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

Certain legal matters in connection with this prospectus will be passed upon by Cassels Brock & Blackwell LLP, counsel for the Corporation and Vantage Law Corporation, counsel for the Agent. As of the date hereof, the partners and associates of Cassels Brock & Blackwell LLP and Vantage Law Corporation, each as a group, owned, directly or indirectly, less than 1% of the outstanding Common Shares.

OTHER MATERIAL FACTS

To the knowledge of management, there are no other material facts relating to the Corporation that are not otherwise disclosed in this prospectus or are necessary for this prospectus to contain full, true and plain disclosure of all material facts relating to the Corporation.

SCHEDULE "A"
CORPORATION FINANCIAL STATEMENTS AND MD&A

(see attached)

New Leaf Ventures Inc.

FINANCIAL STATEMENTS

For the period from incorporation on June 4, 2018 to December 31, 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Directors of
New Leaf Ventures Inc.

Opinion

We have audited the accompanying financial statements of New Leaf Ventures Inc. (the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the period from incorporation on June 4, 2018 to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the period from incorporation on June 4, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company had a working deficiency of \$36,249 and an accumulated deficit of \$36,250. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes the Prospectus of the Company.

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Vancouver, Canada

Chartered Professional Accountants

DATE

New Leaf Ventures Inc.
Statement of Financial Position
(Expressed in Canadian Dollars)

	Note	As at December 31, 2018
Assets		
Current assets		
Cash		\$ 1
Total assets		<u>\$ 1</u>
Liabilities and shareholders' deficiency		
Liabilities		
Current liabilities		
Loan payable	4	\$ 36,250
Total liabilities		<u>\$ 36,250</u>
Shareholders' deficiency		
Share capital	5	\$ 1
Deficit		(36,250)
Total shareholders' deficiency		<u>(36,249)</u>
Total liabilities and shareholders' deficiency		<u>\$ 1</u>

Corporate information and continuance of operations (note 1)
Segmented information (note 6)
Subsequent Events (note 1 and 11)

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

Approved on behalf of the Board:

/s/ XXX

New Leaf Ventures Inc.
Statement of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	For the period from incorporation on June 4, 2018 to December 31, 2018
Expenses	
Legal fees	\$ 36,250
Total loss and comprehensive loss for the period	\$ 36,250
Weighted average number of shares outstanding	200
Basic and diluted loss per share	\$ 181.25

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

New Leaf Ventures Inc.
Statement of Changes in Shareholder's Deficiency
 (Expressed in Canadian Dollars)

	Note	Share capital		Deficit	Total
		Shares	Amount		
Incorporator's shares, June 4, 2018	5	200	\$ 1	\$ -	\$ 1
Net loss for the period		-	-	(36,250)	(36,250)
Balance, December 31, 2018		200	\$ 1	\$ (36,250)	\$ (36,249)

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

New Leaf Ventures Inc.
Statement of Cash Flows
(Expressed in Canadian Dollars)

	Note	For the period from incorporation on June 4, 2018 to December 31, 2018
Cash flows from operating activities		
Net loss		\$ (36,250)
Net cash used in operating activities		<u>(36,250)</u>
Cash flows from financing activities		
Proceeds from issuance of common shares		1
Proceeds received from loan payable	4	36,250
Net cash generated from financing activities		<u>36,251</u>
Increase in cash		1
Cash, beginning of period		<u>-</u>
Cash, end of period		<u>\$ 1</u>
Interest paid		\$ nil
Income tax paid		\$ nil

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

New Leaf Ventures Inc.
Notes to the Financial Statements
From the date of incorporation on June 4, 2018 to December 31, 2018
(Expressed in Canadian Dollars)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

New Leaf Ventures Inc. (formerly known as “1166858 B.C. Ltd.”) (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on June 4, 2018. The Company is currently in the process of identifying, evaluating and negotiating business opportunities.

The Company’s head office, principal address and registered address and records office is 2200 HSBC Building, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8, Canada.

Subsequent to December 31, 2018, the Company entered into a Letter of Intent (“LOI”) with New Leaf Enterprises, Inc. (the “License Holder”), a US cannabis company that holds a Tier 3 Producer/Processor license in Washington State. Under the LOI, the Company would acquire, directly or through newly formed Washington State entities (established subsequent to December 31, 2018), certain rights in respect of the assets of New Leaf and subsequently complete a going public transaction.

These 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 continuing operations of the Company are dependent upon its ability to raise adequate financing to acquire and develop its business interests, and to commence profitable operations in the future. As at December 31, 2018, the Company had working deficiency of \$36,249 and an accumulated deficit of \$36,250. These items may cast a significant doubt on the Company’s ability to continue as a going concern. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The audited financial statements of the Company for the period ended December 31, 2018 were reviewed, approved and authorized by the Board of Directors on **MMMM DD**, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of preparation

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently to the period presented in these financial statements.

New Leaf Ventures Inc.
Notes to the Financial Statements
From the date of incorporation on June 4, 2018 to December 31, 2018
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Critical accounting estimates

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful development of its business interests resulting in future profitability. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options and share purchase warrants are classified as equity instruments. Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the quoted market price of the common shares at the time the units are priced, then to warrants on a residual value basis. The Company has no stock options or warrants outstanding.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

New Leaf Ventures Inc.
Notes to the Financial Statements
From the date of incorporation on June 4, 2018 to December 31, 2018
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Income taxes (continued)

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company is the Canadian dollar.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange on the statement of financial position date while nonmonetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit and loss.

Loss per share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. For the period presented, the calculation proved to be anti-dilutive.

Financial instruments

The following table shows the classification of financial instruments under IFRS 9:

Cash	Fair value through profit and loss
Loan payable	Amortized cost

New Leaf Ventures Inc.
Notes to the Financial Statements
From the date of incorporation on June 4, 2018 to December 31, 2018
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (continued)

- **Financial assets**

Classification and measurement

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Classification and measurement (continued)

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (continued)

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life. Where an impairment subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

New Leaf Ventures Inc.
Notes to the Financial Statements
From the date of incorporation on June 4, 2018 to December 31, 2018
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (continued)

- **Financial liabilities**

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss (FVTPL) - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Amortized cost - This category consists of liabilities carried at amortized cost using the effective interest method. Accounts payable and accrued liabilities are included in this category. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Refer to note 8 for the required disclosures.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company:

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. Under IFRS 16, as a lessee, the Company is required to recognize all leases in the statement of financial position as a “right-of-use” asset and a lease liability unless the lease term is 12 months or less or the underlying asset has a very low value. The asset is subsequently accounted for in accordance with the cost or revaluation model in IAS 16 Property, Plant and Equipment or as Investment Property under IAS 40 Investment Property. The liability is unwound over the term of the lease giving rise to an interest expense. The Company completed an assessment and concluded that no significant change to its financial statements resulted from adopting this new standard.
- IFRIC 23 – Uncertainty over Income Tax Treatments: This standard was issued by the IASB in June 2017 and specifies the interpretation to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company completed an assessment and concluded that no significant change to its financial statements resulted from adopting this new standard.

4. LOAN PAYABLE

During the period ended December 31, 2018, the Company received two advances totaling \$36,250 from an arm’s length party. These advances were unsecured, non-interest-bearing and payable on demand. Refer to Subsequent Events (note 11).

New Leaf Ventures Inc.
Notes to the Financial Statements
From the date of incorporation on June 4, 2018 to December 31, 2018
(Expressed in Canadian Dollars)

5. SHARE CAPITAL

Authorized share capital

- Unlimited number of preferred shares without par value; and
- Unlimited number of common shares without par value.

Issued share capital

At December 31, 2018, the Company had 200 common shares issued and outstanding.

During the period ended December 31, 2018, the Company issued 200 shares at \$1 to the incorporator.

6. SEGMENTED INFORMATION

The Company operates in one reportable segment. All of the Company's assets are located in Canada.

7. CAPITAL MANAGEMENT

The Company defines its components of equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue business opportunities and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may consider issuing new shares, and/or issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

There have been no changes to the Company's approach to capital management at any time from the date of incorporation to December 31, 2018. The Company is not subject to externally imposed capital requirements.

8. FINANCIAL INSTRUMENTS

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

Fair value

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

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

The fair value of cash is measured using Level 1 inputs. The carrying values of loan payable approximate the respective fair values due to the short-term nature of these instruments.

New Leaf Ventures Inc.
Notes to the Financial Statements
From the date of incorporation on June 4, 2018 to December 31, 2018
(Expressed in Canadian Dollars)

8. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management

- **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at December 31, 2018, the Company is not subject to any material credit risk.

- **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

At December 31, 2018, the Company had a loan payable of \$36,250. The loan payable is unsecured, non-interest-bearing and payable on demand. The Company will need to obtain additional financing through the issuance of equity or other means to meet current liabilities as they come due.

Subsequent to December 31, 2018, the Company completed a private placement and issued 12,000,000 units at a price of \$0.05 per share for gross proceeds of \$600,000.

- **Market risk**

The significant market risks to which the Company is exposed are interest rate risk and currency.

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. It is management's opinion that the Company is not exposed to significant interest rate risk.

Currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. As at December 31, 2018, the Company is not exposed to currency risk as all transactions and balances are denominated in Canadian dollars.

9. RELATED PARTY

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of its Executive Officers and Directors. Other related parties to the Company include companies in which key management have control or significant influence.

During the period from incorporation on June 4, 2018 to December 31, 2018, the Company did not have any transactions with its related parties.

New Leaf Ventures Inc.
Notes to the Financial Statements
From the date of incorporation on June 4, 2018 to December 31, 2018
(Expressed in Canadian Dollars)

10. INCOME TAXES

A reconciliation of the Company's expected income tax recovery to actual income tax recovery is as follows:

	December 31, 2018
Net loss for the period	\$ (36,250)
Statutory income tax rate	27%
Expected income tax recovery	(9,788)
Unrecognized deductible temporary differences and other	9,788
Income tax recovery	\$ -

As at December 31, 2018, the Company has approximately \$36,000 in non-capital losses. These losses expire in 2038.

11. SUBSEQUENT EVENTS

- On February 26, 2019, the Company completed a private placement of 12,000,000 units at a price of \$0.05 for gross proceeds of \$600,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at an exercise price of \$0.05 at any time prior to February 26, 2021.
- On June 19, 2019, the Company cancelled the 200 shares issued to the incorporator on June 4, 2018.
- On September 13, 2019, the Company entered into the Share Purchase Agreement ("Acquisition Transaction") to purchase New Leaf USA Inc. ("New Leaf USA") and its subsidiaries (collectively the "New Leaf USA Entities"). Following completion of the Acquisition Transaction, the New Leaf USA Entities will be the core business of the Company.

To complete the Acquisition Transaction, the Company will:

- Issue 9,000,000 shares at a deemed price of \$0.25; and
- Issue 4,000,000 performance warrants ("Performance Warrants").

Each Performance Warrant will entitle the holder to purchase one common share of the Company at the price of \$0.02 per common share for a period of three years, and will vest and become exercisable as follows:

- (i) 2,000,000 Performance Warrants will vest and become exercisable if the Company or the License Holder achieves at least \$5,000,000 in annual gross revenue; and
- (ii) 2,000,000 Performance Warrants will vest and become exercisable the Company or License Holder achieves at least \$7,500,000 in annual gross revenue.

In addition, New Leaf USA will enter into the employment agreements, pursuant to which Robert Colwell will be appointed to act as Chief Executive Officer of New Leaf USA, and Boris Gorodnitsky will be appointed to act as President of New Leaf USA, in each case, for a period of three years following the closing of the Acquisition Transaction, and pursuant to which the Company will issue 1,829,338 common shares to each of Boris Gorodnitsky and Robert Colwell.

New Leaf Ventures Inc.
Notes to the Financial Statements
From the date of incorporation on June 4, 2018 to December 31, 2018
(Expressed in Canadian Dollars)

11. SUBSEQUENT EVENTS (CONTINUED)

Assuming successful completion of the Acquisition Transaction, the New Leaf USA Entities will be wholly-owned subsidiaries of the Company, and through which the Company will provide consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to the License Holder.

New Leaf USA

New Leaf USA, a Washington corporation, was formed on May 2, 2019.

Following are the wholly-owned subsidiaries of New Leaf USA:

- New Leaf Real Estate, LLC (“RealEstateCo”);
- New Leaf Equipment, LLC (“EquipmentCo”);
- New Leaf IP, LLC (“IPCo”);
- New Leaf Services LLC (“ServicesCo”); and
- New Leaf Hemp Company LLC (“HempCo”, and together with the Company, the “New Leaf Entities”).

The New Leaf USA Entities hold assets, comprised of real estate leases, equipment and other tangible and intangible assets, including intellectual property (“IP”) (collectively “Assets”).

The New Leaf USA Entities acquired the Assets through the reorganization transaction involving the License Holder (“Reorganization Transaction”). In particular, in connection with the Reorganization Transaction, among other things, the License Holder:

- sold all the equipment to EquipmentCo effective October 1, 2019 in exchange for a promissory note in the amount of US\$769,871,
- sold the intellectual property to IPCo effective October 1, 2019 in exchange for a promissory note in the amount of US\$1,300,000, and
- transferred, in August 2019, the lease of the approximately 30,000 square foot integrated cultivation facility located at 460 and 470 South Kenyon Street, Seattle, Washington which is currently leased by the License Holder (the “Facility”) to RealEstateCo.

Commencing on October 1, 2019,

- EquipmentCo leases the equipment to the License Holder in exchange for a monthly fee of US\$6,000.
- IPCo leases the intellectual property to the License Holder in exchange for annual exclusivity fees of US\$100,000 and the greater of US\$1.07 per each unit sold and quarterly license fee of US\$150,000.
- RealEstateCo leases the 30,000 square foot facility to the License Holder in exchange for monthly fees of US \$36,860 (which includes the base rent and payment of property tax amounts pursuant to the terms of the subleases).
- ServicesCo provides the services, which include staffing and human resources, bookkeeping and payroll, advertising and marketing, IT, and other consulting and advisory services, to the License Holder in exchange for a monthly fee of US\$251,000 for the services provided.

New Leaf Ventures Inc.
Notes to the Financial Statements
From the date of incorporation on June 4, 2018 to December 31, 2018
(Expressed in Canadian Dollars)

11. SUBSEQUENT EVENTS (CONTINUED)

In connection with the Acquisition Transaction, the Company intends to complete an initial public offering of up to 20,000,000 units ("Units") at a price of \$0.25 per Unit, for aggregate gross proceeds of up to \$5,000,000 (the "Offering"), and seek a listing of its common shares on the Canadian Securities Exchange (the "CSE"). Each Unit will consist of one (1) Unit Share and one-half of one Warrant, with each whole Warrant entitling the holder thereof, subject to the terms and conditions of the Warrant Indenture, to purchase one warrant share ("Warrant Share") at a price of \$0.40 per Warrant Share for a period of 24 months from the date the common shares of the Company are listed for trading on the CSE (the "Expiry Date"). If the closing price of the Common Shares on the CSE or any equivalent exchange is equal to or greater than \$0.60 per common share for a period of 10 consecutive trading days (the "Early Expiry Event"), the Warrants will be expired 30 days following the date the Company provides an early expiry notice (the "Early Expiry Date"). The Company intends to allocate \$0.249 of the issue price of each Unit as consideration for the issue of each Unit Share and \$0.001 as consideration for the issue of each one-half Warrant. The Units will be offered pursuant to an agency agreement (the "Agency Agreement") between the Company and Mackie Research Capital Corporation (the "Agent") to be entered into in connection with the Offering. s

Pursuant to the terms of the Agency Agreement, in respect of the Offering, the Company will pay the Agent (the "Agent's Commission") a cash fee equal to 8.0% of the aggregate gross proceeds of the Offering in respect of purchasers of Units, provided that the amount of the cash fee payable in connection with gross proceeds received from purchasers of Units on the president's list of the Company (the "President's List") is 2.0%.

As additional compensation, the Company has also agreed to:

- a) pay the Agent a corporate finance fee equal to \$30,000 (plus GST); and
- b) issue to the Agent such number of non-transferrable share purchase warrants (the "Agent Warrants") as is equal to 8.0% of the number of Units sold pursuant to the Offering, provided that the number of Agent Warrants issuable in connection Units sold to purchasers on the President's List is equal to 4.0% of the number of Units sold to such purchasers. Each Agent Warrant will be exercisable into one Unit (an "Agent Unit") at an exercise price of \$0.25 until the Expiry Date, subject to an Early Expiry Date upon the occurrence of an Early Expiry Event. Each Agent Unit will consist of one Common Share and one-half of one common share purchase warrant (each whole warrant, an "Agent Warrant"). Each Agent Warrant will entitle the holder thereof to purchase an additional Common Share on the same terms and conditions as the Warrants.

On November 14, 2019, the Company issued:

- 500,000 stock options of which 250,000 stock options issued to Chris Cooper and 250,000 stock options issued to Don Currie, with each option exercisable to acquire one common share of the Company at a price of \$0.25 per common share, for a period of five years; one quarter of the options will vest every six months, with the first quarter vesting on the grant date; and
- 500,000 common shares to Mike Stier, in settlement of 500,000 fully-vested restricted share rights granted to Mike Stier on the same date.

New Leaf Ventures Inc.
Notes to the Financial Statements
From the date of incorporation on June 4, 2018 to December 31, 2018
(Expressed in Canadian Dollars)

11. SUBSEQUENT EVENTS (CONTINUED)

On December 12, 2019, the Company issued:

- 145,000 common shares in settlement of the \$36,250 loan payable; and
- 378,000 common shares in settlement of the accounts payable of \$94,500 which incurred subsequent to December 31, 2018.

New Leaf Ventures Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

(Expressed in Canadian Dollars)

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018
(Expressed in Canadian Dollars)

BACKGROUND

This management discussion and analysis ("MD&A") of the financial position of New Leaf Ventures Inc. (formerly known as "1166858 B.C. Ltd.") (the "Company") and results of its operations for the year ended December 31, 2018 is prepared as at **MMMM DD**, 2019. This MD&A should be read in conjunction with the audited financial statements for the year ended December 31, 2018 and the supporting notes. Those audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar figures included therein and in the following M&DA are quoted in Canadian dollars.

FORWARD-LOOKING INFORMATION

This discussion contains "forward-looking statements" that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Such forward-looking statements include, among others, statements relating to the Letter of Intent ("LOI") entered into by the Company with New Leaf Enterprises, Inc. ("License Holder"), completion of the Acquisition Transaction (as defined below) with New Leaf USA Inc. ("New Leaf USA"), completing a going public transaction and listing of the Company's common shares on the Canadian Securities Exchange. (the "CSE").

This MD&A contains forward-looking statements that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. The assumptions on which such forward-looking statements are based and the risk factors that could cause such forward-looking statements to vary, including assumptions and risks relating to the LOI, completion of the Acquisition Transaction, going public transaction and stock exchange listing and future sources of financing, are set out in the Company's Prospectus to which this MD&A is attached under the headings "Note Regarding Forward-Looking Information" and "Risk Factors".

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein.

Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A and the Prospectus, actual events may differ materially from current expectations. Except as required by applicable law, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

COMPANY OVERVIEW

The Company was incorporated under the Business Corporations Act (British Columbia) on June 4, 2018. The Company is currently in the process of identifying, evaluating and negotiating business opportunities.

PROPOSED TRANSACTION

Subsequent to December 31, 2018, the Company entered into a LOI with the License Holder, a US cannabis company that holds a Tier 3 Producer/Processor license in Washington State. Under the LOI, the Company would acquire, directly or through newly formed Washington State entities (established subsequent to December 31, 2018), certain rights in respect of the assets of the License Holder and subsequently complete a going public transaction.

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018
(Expressed in Canadian Dollars)

RESULTS OF OPERATIONS

During the period from incorporation on June 4, 2018 to December 31, 2018, the Company incurred legal fees of \$36,250 which resulted in a net loss of \$36,250.

LIQUIDITY / CAPITAL RESOURCES

During the period ended December 31, 2018, the Company received two advances totaling \$36,250. These advances were unsecured, non-interest-bearing and payable on demand. These advances were used to fund the operation of the Company for the period from incorporation on June 4, 2018 to December 31, 2018. Refer to Subsequent Events.

The Company expects it will continue fund its operations through either debt or equity financings until it develops cash flow from future operations. There can be no assurances the Company will be successful in its endeavors. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail its activities to a level for which funding is available or can be obtained.

On February 26, 2019, the Company completed a private placement and issued 12,000,000 units at a price of \$0.05 per share for gross proceeds of \$600,000.

The Company does not derive any revenues from operations and has no material income from operations.

As at December 31, 2018, the Company had a working capital deficiency of \$36,249.

The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants.

SUBSEQUENT EVENTS

- On February 26, 2019, the Company completed a private placement of 12,000,000 units at a price of \$0.05 for gross proceeds of \$600,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at an exercise price of \$0.05 at any time prior to February 26, 2021.
- On June 19, 2019, the Company cancelled the 200 shares issued to the incorporator on June 4, 2018.
- On September 13, 2019, the Company entered into the Share Purchase Agreement ("Acquisition Transaction") to purchase New Leaf USA Inc. ("New Leaf USA") and its subsidiaries (collectively the "New Leaf USA Entities"). Following completion of the Acquisition Transaction, the New Leaf USA Entities will be the core business of the Company.

To complete the Acquisition Transaction, the Company will:

- Issue 9,000,000 shares at a deemed price of \$0.25; and
- Issue 4,000,000 performance warrants ("Performance Warrants").

Each Performance Warrant will entitle the holder to purchase one common share of the Company at the price of \$0.02 per common share for a period of three years, and will vest and become exercisable as follows:

- (i) 2,000,000 Performance Warrants will vest and become exercisable if the Company or the License Holder achieves at least \$5,000,000 in annual gross revenue; and

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018
(Expressed in Canadian Dollars)

- (ii) 2,000,000 Performance Warrants will vest and become exercisable the Company or License Holder achieves at least \$7,500,000 in annual gross revenue.

In addition, New Leaf USA will enter into the employment agreements, pursuant to which Robert Colwell will be appointed to act as Chief Executive Officer of New Leaf USA, and Boris Gorodnitsky will be appointed to act as President of New Leaf USA, in each case, for a period of three years following the closing of the Acquisition Transaction, and pursuant to which the Company will issue 1,829,338 common shares to each of Boris Gorodnitsky and Robert Colwell.

Assuming successful completion of the Acquisition Transaction, the New Leaf USA Entities will be wholly-owned subsidiaries of the Company, and through which the Company will provide consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to the License Holder.

New Leaf USA

New Leaf USA, a Washington corporation, was formed on May 2, 2019.

Following are the wholly-owned subsidiaries of New Leaf USA:

- New Leaf Real Estate, LLC (formerly known as 6858 Real Estate, LLC) ("RealEstateCo");
- New Leaf Equipment, LLC (formerly known as 6858 Equipment, LLC) ("EquipmentCo");
- New Leaf IP, LLC (formerly known as 6858 IP, LLC) ("IPCo");
- New Leaf Services LLC (formerly known as 6858 Services LLC) ("ServicesCo"); and
- New Leaf Hemp Company LLC ("HempCo", and together with the Company, the "New Leaf Entities").

The New Leaf USA Entities hold assets, comprised of real estate leases, equipment and other tangible and intangible assets, including intellectual property ("IP") (collectively "Assets").

The New Leaf USA Entities acquired the Assets through the reorganization transaction involving the License Holder ("Reorganization Transaction"). In particular, in connection with the Reorganization Transaction, among other things, the License Holder:

- sold all the equipment to EquipmentCo effective October 1, 2019 in exchange for a promissory note in the amount of US\$769,871,
- sold the intellectual property to IPCo effective October 1, 2019 in exchange for a promissory note in the amount of US\$1,300,000, and
- transferred, in August 2019, the lease of the approximately 30,000 square foot integrated cultivation facility located at 460 and 470 South Kenyon Street, Seattle, Washington which is currently leased by the License Holder (the "Facility") to RealEstateCo.

Commencing on October 1, 2019,

- EquipmentCo leases the equipment to the License Holder in exchange for a monthly fee of US\$6,000.
- IPCo leases the intellectual property to the License Holder in exchange for annual exclusivity fees of US\$100,000 and the greater of US\$1.07 per each unit sold and quarterly license fee of US\$150,000.
- RealEstateCo leases the 30,000 square foot facility to the License Holder in exchange for monthly fees of US\$36,860 (which includes the base rent and payment of property tax amounts pursuant to the terms of the subleases).

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018
(Expressed in Canadian Dollars)

- ServicesCo provides the services, which include staffing and human resources, bookkeeping and payroll, advertising and marketing, IT, and other consulting and advisory services, to the License Holder in exchange for a monthly fee of US\$251,000 for the services provided.

In connection with the Acquisition Transaction, the Company intends to complete an initial public offering of up to 20,000,000 units ("Units") at a price of \$0.25 per Unit, for aggregate gross proceeds of up to \$5,000,000 (the "Offering"), and seek a listing of its common shares on the Canadian Securities Exchange (the "CSE"). Each Unit will consist of one (1) Unit Share and one-half of one Warrant, with each whole Warrant entitling the holder thereof, subject to the terms and conditions of the Warrant Indenture, to purchase one warrant share ("Warrant Share") at a price of \$0.40 per Warrant Share for a period of 24 months from the date the common shares of the Company are listed for trading on the CSE (the "Expiry Date"). If the closing price of the Common Shares on the CSE or any equivalent exchange is equal to or greater than \$0.60 per common share for a period of 10 consecutive trading days (the "Early Expiry Event"), the Warrants will be expired 30 days following the date the Company provides an early expiry notice (the "Early Expiry Date"). The Company intends to allocate \$0.249 of the issue price of each Unit as consideration for the issue of each Unit Share and \$0.001 as consideration for the issue of each one-half Warrant. The Units will be offered pursuant to an agency agreement (the "Agency Agreement") between the Company and Mackie Research Capital Corporation (the "Agent") to be entered into in connection with the Offering. The Company has also granted the Agent an option, exercisable in whole or in part, for a period of 30 days from and including the closing date of the Offering, to purchase up to an additional 15% of the Units (being 3,000,000 Units) on the same terms as above, to cover over-allotments, if any; any such additional Units would comprise part of the Offering.

Pursuant to the terms of the Agency Agreement, in respect of the Offering, the Company will pay the Agent (the "Agent's Commission") a cash fee equal to 8.0% of the aggregate gross proceeds of the Offering in respect of purchasers of Units, provided that the amount of the cash fee payable in connection with gross proceeds received from purchasers of Units on the president's list of the Company (the "President's List") is 2.0%.

As additional compensation, the Company has also agreed to:

- a) pay the Agent a corporate finance fee equal to \$30,000 (plus GST); and
- b) issue to the Agent such number of non-transferrable share purchase warrants (the "Agent Warrants") as is equal to 8.0% of the number of Units sold pursuant to the Offering, provided that the number of Agent Warrants issuable in connection Units sold to purchasers on the President's List is equal to 4.0% of the number of Units sold to such purchasers. Each Agent Warrant will be exercisable into one Unit (an "Agent Unit") at an exercise price of \$0.25 until the Expiry Date, subject to an Early Expiry Date upon the occurrence of an Early Expiry Event. Each Agent Unit will consist of one Common Share and one-half of one common share purchase warrant (each whole warrant, an "Agent Warrant"). Each Agent Warrant will entitle the holder thereof to purchase an additional Common Share on the same terms and conditions as the Warrants.

On November 14, 2019, the Company issued:

- 500,000 stock options of which 250,000 stock options issued to Chris Cooper and 250,000 stock options issued to Don Currie, with each option exercisable to acquire one common share of the Company at a price of \$0.25 per common share, for a period of five years; one quarter of the options will vest every six months, with the first quarter vesting on the grant date; and
- 500,000 common shares to Mike Stier, in settlement of 500,000 fully-vested restricted share rights granted to Mike Stier on the same date.

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018
(Expressed in Canadian Dollars)

On December 12, 2019, the Company issued:

- 145,000 common shares in settlement of the \$36,250 loan payable; and
- 378,000 common shares in settlement of the accounts payable of \$94,500 which incurred subsequent to December 31, 2018.

OUTSTANDING SHARE DATA AS DECEMBER 31, 2018 AND THE DATE OF THIS MD&A

Authorized share capital

- Unlimited number of preferred shares without par value; and
- Unlimited number of common shares without par value.

At December 31, 2018, the Company had 200 common shares issued and outstanding.

During the period ended December 31, 2018, the Company issued 200 shares at nominal value to the incorporator.

Subsequent to December 31, 2018

- On February 26, 2019, the Company completed a private placement of 12,000,000 units at a price of \$0.05 for gross proceeds of \$600,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at an exercise price of \$0.05 at any time prior to On February 26, 2021.
- On June 19, 2019, the Company cancelled the 200 shares issued to the incorporator on June 4, 2018.

On November 14, 2019, the Company issued:

- 500,000 stock options of which 250,000 stock options issued to Chris Cooper and 250,000 stock options issued to Don Currie, with each option exercisable to acquire one common share of the Company at a price of \$0.25 per common share, for a period of five years; one quarter of the options will vest every six months, with the first quarter vesting on the grant date; and
- 500,000 common shares to Mike Stier, in settlement of 500,000 fully-vested restricted share rights granted to Mike Stier on the same date.
- On December 12, 2019, the Company issued:
 - 145,000 common shares in settlement of the \$36,250 loan payable; and
 - 378,000 common shares in settlement of the accounts payable of \$94,500 which incurred subsequent to December 31, 2018.

As at the date of this MD&A, the Company had the following common shares and warrants issued and outstanding:

- 13,023,000,000 common shares;
- 12,000,000 warrants with exercise prices of \$0.05.
- 500,000 stock options with exercise prices of \$0.25.

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018
(Expressed in Canadian Dollars)

TRANSACTIONS WITH RELATED PARTIES

There was no related party transaction incurred during the period from incorporation on June 4, 2018 to December 31, 2018.

CONTRACTUAL OBLIGATIONS

There are no significant contractual obligations.

OFF-BALANCE SHEET ARRANGEMENT

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

These financial statements have been prepared using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. Refer to Note 2 of the audited financial statements for the period ended December 31, 2018 for details on critical accounting estimates and judgments.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company:

- **IFRS 16 – Leases:** New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. Under IFRS 16, as a lessee, the Company is required to recognize all leases in the statement of financial position as a "right-of-use" asset and a lease liability unless the lease term is 12 months or less or the underlying asset has a very low value. The asset is subsequently accounted for in accordance with the cost or revaluation model in IAS 16 Property, Plant and Equipment or as Investment Property under IAS 40 Investment Property. The liability is unwound over the term of the lease giving rise to an interest expense. The Company completed an assessment and concluded that no significant change to its financial statements resulted from adopting this new standard.
- **IFRIC 23 – Uncertainty over Income Tax Treatments:** This standard was issued by the IASB in June 2017 and specifies the interpretation to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company completed an assessment and concluded that no significant change to its financial statements resulted from adopting this new standard.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018
(Expressed in Canadian Dollars)

for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in various tables in note 8 of our audited financial statements for the period ended December 31, 2018. For a discussion on the significant assumptions made in determining the fair value of financial instruments, refer also to note 2 of the audited financial statements for the period ended December 31, 2018.

RISKS AND UNCERTAINTIES

The Company is subject to a number of risk factors due to the nature of its business. These risks and uncertainties may impact the Company's ability to successfully execute its key strategies and may affect future events, performance or results. Certain of these risks and uncertainties are described in this MD&A. However, the risks and uncertainties set out in this MD&A are not exhaustive. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business performance, condition, operations or strategies and plans.

Ongoing Need for Financing

It is intended that the Company will continue to make investments to support business growth and may require additional funds to respond to business challenges. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of the Company's shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, additional financing may not be available on favourable terms, if at all. If the Company is unable to obtain adequate financing or financing on terms satisfactory to them, when they require it, their ability to continue to support business growth and to respond to business challenges could be significantly limited.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire the assets or shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. The level of the Company's indebtedness from time to time could impair its ability to obtain additional financing in the future, on a timely basis, to take advantage of business opportunities that may arise.

Business plan is new and contains inherent risks

Our business plan is innovative and non-traditional. As such, we cannot be certain of commercial or any other kind of success for us and cannot guarantee same.

Limited operating history

The Company has a very limited operating history upon which an evaluation of its prospects can be based. The prospects must be evaluated with a view to the risks encountered by a business in an early stage of operations. The Company has not been profitable and has incurred net operating losses during its recent operating history. The Company cannot guarantee it will ever be profitable, have a positive cash flow, or be able to continue in business.

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018
(Expressed in Canadian Dollars)

Potential Conflicts of Interest

Certain directors or officers of the Company are also directors, officers, shareholders and/or Promoters of other reporting and non-reporting issuers. Such associations may give rise to conflicts of interest from time to time. The directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. Conflicts of interest, if any, will be subject to, and will be resolved in accordance with, the procedures and remedies under the BCBCA.

Reliance on Others and Key Personnel

The success of the Company will be largely dependent upon the performance of its management and key employees, as well as the talents of its outside consultants and suppliers. The Company may not have any "key man" insurance policies, and therefore there is a risk that the death or departure of any one or more members of management or any key employee could have a material adverse effect on the Company. The Company also faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain the employees, personnel and/or consultants necessary to successfully carry out its activities.

Litigation

All industries are subject to legal claims, with and without merit. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's operations and financial position.

Dividends

To date, the Company has not paid any dividends on its outstanding securities and the Company does not expect to do so in the foreseeable future. Any decision to pay dividends on Company's shares will be made by the Board of Directors.

Changes in Laws

Changes to any of the laws, rules, regulations or policies to which the Company is subject could have a significant impact on the Company's business. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact the Company's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

Speculative investment

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described above and the other information filed with the Canadian securities regulators before investing in the Company's common shares. The risks described are not the only ones faced. Additional risks that the Company currently believes are immaterial may become important factors that affect the Company's business. If any of these risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed and investors may lose all of their investment.

New Leaf Ventures Inc.

Condensed Interim Financial Statements

September 30, 2019

(Unaudited)

(Expressed in Canadian Dollars)

New Leaf Ventures Inc.
Condensed Interim Statements of Financial Position (unaudited)
(Expressed in Canadian Dollars)

	As at		September 30, 2019		December 31, 2018
Assets		Note(s)			
Current assets					
Cash			\$ 61,257	\$	1
Amounts receivable			17,140		-
Total assets			\$ 78,397	\$	1
Liabilities and shareholders' equity (deficiency)					
Liabilities					
Current liabilities					
Accounts payable and accrual liabilities	10		\$ 379,412	\$	-
Loan payable	6 & 10		36,250		36,250
Total liabilities			\$ 415,662		36,250
Shareholders' equity (deficiency)					
Share capital	4		\$ 544,251	\$	1
Deficit			(881,516)		(36,250)
Total shareholders' equity (deficiency)			(337,265)		(36,249)
Total liabilities and shareholders' equity deficiency			\$ 78,397	\$	1

Corporate information and continuance of operations (note 1)
Segmented information (note 5)
Subsequent Events (notes 1 and 10)

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

Approved on behalf of the Board:

/s/XXX

/s/XXX

New Leaf Ventures Inc.

Condensed Interim Statement of Loss and Comprehensive Loss (unaudited)

(Expressed in Canadian Dollars)

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	Period from incorporation on June 4, 2018 to September 30, 2018
Expenses				
Consulting fees	\$ 90,000	\$ -	\$ 226,566	\$ -
Director's fees (note 9)	5,355	-	5,355	-
Foreign exchange loss	698	-	3,145	-
Office	206	-	642	-
Professional fees	375,691	46,127	604,428	46,127
Transfer agent and filing fees	3,649	-	5,130	-
Total loss and comprehensive loss for the period	\$ 475,599	\$ 46,127	\$ 845,266	\$ 46,127
Weighted average number of common shares outstanding	12,000,000	200	9,538,662	200
Loss per share – basic and diluted	\$ 0.04	\$ 230.64	\$ 0.09	\$ 230.64

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

New Leaf Ventures Inc.

Condensed Interim Statement of Changes in Shareholders' Equity (Deficiency) (unaudited)

(Expressed in Canadian Dollars)

	Note	Share Capital		Deficit	Total
		Shares	Amount		
Balance, December 31, 2018		200	\$ 1	\$ (36,250)	\$ (36,249)
Cancellation of incorporator's shares		(200)	-	-	-
Shares issued for cash - private placement	4	12,000,000	600,000	-	600,000
Share issue costs	4	-	(55,750)	-	(55,750)
Net loss for the period		-	-	(845,266)	(845,266)
Balance, September 30, 2019		12,000,000	\$ 544,251	\$ (881,516)	\$ (337,265)
Incorporator shares, June 4, 2018		200	1	-	1
Net loss for the period		-	-	(46,127)	(46,127)
Balance, September 30, 2018		200	\$ 1	\$ (46,127)	\$ (46,126)

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

New Leaf Ventures Inc.
Condensed Interim Statement of Cash Flows (unaudited)
(Expressed in Canadian Dollars)

	Note	For the nine months ended September 30, 2019	Period from incorporation on June 4, 2018 to September 30, 2018
Cash flows from operating activities			
Net loss		\$ (845,266)	\$ (46,127)
Amounts receivable		(17,140)	-
Accounts payable and accrued liabilities		379,412	21,127
Net cash used by operating activities		(482,994)	(25,000)
Cash flows from financing activities			
Proceeds on issuance of common shares, net of cash share issue costs	4	544,250	1
Loan payable		-	25,000
Net cash generated from financing activities		544,250	25,001
Increase in cash		61,256	1
Cash, beginning of period		1	-
Cash, end of period		\$ 61,257	\$ 1
Interest paid		\$ nil	\$ nil
Income tax paid		\$ nil	\$ nil

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

New Leaf Ventures Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in Canadian Dollars)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

New Leaf Ventures Inc. (formerly known as “1166858 B.C. Ltd.”) (the “Company”) was incorporated under the Business Corporations Act (British Columbia) on June 4, 2018. The Company is currently in the process of identifying, evaluating and negotiating business opportunities.

The Company’s head office, principal address and registered address and records office is 2200 HSBC Building, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8, Canada.

During the nine months ended September 30, 2019, the Company entered into a Letter of Intent (“LOI”) with New Leaf Enterprises, Inc. (the “License Holder”), a US cannabis company that holds a Tier 3 Producer/Processor license in Washington State. Under the LOI, the Company would acquire, directly or through newly formed Washington State entities (established subsequent to December 31, 2018), certain rights in respect of the assets of New Leaf and subsequently complete a going public transaction. Refer to Note 10 for additional details.

These unaudited condensed interim 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 continuing operations of the Company are dependent upon its ability to raise adequate financing to acquire and develop its business interests, and to commence profitable operations in the future. As at September 30, 2019, the Company had working capital deficiency of \$337,265 and an accumulated deficit of \$881,516. These items may cast a significant doubt on the Company’s ability to continue as a going concern. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

These unaudited condensed interim financial statements of the Company for the nine months ended September 30, 2019 were reviewed, approved and authorized by the Board of Directors on **MMMM XX**, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance to International Financial Reporting Standards

These unaudited condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements comply with International Accounting Standard 34, Interim Financial Reporting.

Basis of presentation

These unaudited condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the period ended December 31, 2018.

New Leaf Ventures Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in Canadian Dollars)

3. NEW ACCOUNTING STANDARDS

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2019. The following new standards have been adopted by the Company.

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The adoption of this standard did not have an impact on its financial statements as the Company currently has no leases.
- IFRIC 23 – Uncertainty over Income Tax Treatments: This standard was issued by the IASB in June 2017 and specifies the interpretation to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The adoption of this standard did not have an impact on its financial statements.

4. SHARE CAPITAL

Authorized share capital

- Unlimited number of preferred shares without par value; and
- Unlimited number of common shares without par value.

Issued share capital

At September 30, 2019, the Company had 12,000,000 common shares (December 31, 2018 – 200 common shares) issued and outstanding.

On February 26, 2019, the Company completed a private placement of 12,000,000 units at a price of \$0.05 for gross proceeds of \$600,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at an exercise price of \$0.05 at any time prior to February 26, 2021. No value was assigned to the warrants. In connection with the private placement, the Company incurred \$55,750 in share issuance costs.

On June 19, 2019, the Company cancelled the 200 shares issued to the incorporator on June 4, 2018.

Warrants

The changes in warrants during the nine months ended September 30, 2019 are as follows:

	Number outstanding	Weighted average exercise price
Balance, December 31, 2018	-	\$ -
Issued	12,000,000	0.05
Balance, September 30, 2019	12,000,000	\$ 0.05

New Leaf Ventures Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in Canadian Dollars)

4. SHARE CAPITAL (CONTINUED)

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

Expiry date	Warrants outstanding	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
February 26, 2021	12,000,000	\$ 0.05	\$nil	1.41

5. SEGMENTED INFORMATION

The Company operates in one reportable segment (Note 1). All of the Company's assets are located in Canada.

6. LOAN PAYABLE

During the period from incorporation on June 4, 2018 to December 31, 2018, the Company received two advances totaling \$36,250 from an arm's length party. These advances were unsecured, non-interest-bearing and payable on demand. As at September 30, 2019, the loan payable balance of \$36,250 was outstanding. Refer to Subsequent Events (note 10).

7. CAPITAL MANAGEMENT

The Company defines its components of equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue business opportunities and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may consider issuing new shares, and/or issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

The Company's investment policy is to keep its cash on deposit in an interest-bearing Canadian chartered bank account. There have been no changes to the Company's approach to capital management at any time during the nine months ended September 30, 2019. The Company is not subject to externally imposed capital requirements.

New Leaf Ventures Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in Canadian Dollars)

8. FINANCIAL INSTRUMENTS

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

Fair value

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

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

The fair value of cash is measured using Level 1 inputs. The carrying values of amounts receivable, accounts payable and accrual liabilities and loan payable approximate their respective fair values due to the short-term nature of these instruments.

Financial risk management

- **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash, which represents the maximum credit exposure, is held through large Canadian financial institutions. As at September 30, 2019, the Company is not subject to any material credit risk.

- **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

The Company maintained sufficient cash at September 30, 2019 in the amount of \$61,257, in order to meet short-term business requirements. At September 30, 2019, the Company had accounts payable and accrual liabilities of \$379,412 and a loan payable of \$36,250. The loan payable was unsecured, non-interest-bearing and payable on demand. Refer to Subsequent Events (note 10). The Company will need to obtain additional financing through the issuance of equity or other means to meet current liabilities as they come due.

- **Market risk**

The significant market risks to which the Company is exposed are interest rate risk and currency.

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. It is management's opinion that the Company is not exposed to significant interest rate risk.

New Leaf Ventures Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in Canadian Dollars)

8. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

- **Market risk (continued)**

Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company is not exposed to significant currency risk. The Company has not entered into any foreign currency contracts to mitigate this risk.

9. RELATED PARTY

Key management personnel include those persons having the authority and responsibility of planning, directing and executing the activities of the Company. The Company has determined that its key management personnel consist of its Executive Officers and Directors. Other related parties to the Company include companies in which key management have control or significant influence.

During the nine months ended September 30, 2019, the Company incurred directors' fees of \$5,355 (September 30, 2018 – \$nil).

10. SUBSEQUENT EVENTS

- On September 13, 2019, the Company entered into the Share Purchase Agreement ("Acquisition Transaction") to purchase New Leaf USA Inc. ("New Leaf USA") and its subsidiaries (collectively the "New Leaf USA Entities"). Following completion of the Acquisition Transaction, the New Leaf USA Entities will be the core business of the Company.

To complete the Acquisition Transaction, the Company will:

- Issue 9,000,000 shares; and
- Issue 4,000,000 performance warrants ("Performance Warrants").

Each Performance Warrant will entitle the holder to purchase one common share of the Company at the price of \$0.02 per common share for a period of three years, and will vest and become exercisable as follows:

- 2,000,000 Performance Warrants will vest and become exercisable if the Company or the License Holder achieves at least \$5,000,000 in annual gross revenue; and
- 2,000,000 Performance Warrants will vest and become exercisable the Company or License Holder achieves at least \$7,500,000 in annual gross revenue.

In addition, New Leaf USA will enter into the employment agreements, pursuant to which Robert Colwell will be appointed to act as Chief Executive Officer of New Leaf USA, and Boris Gorodnitsky will be appointed to act as President of New Leaf USA, in each case, for a period of three years following the closing of the Acquisition Transaction, and pursuant to which the Company will issue 1,829,338 common shares to each of Boris Gorodnitsky and Robert Colwell.

New Leaf Ventures Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in Canadian Dollars)

10. SUBSEQUENT EVENTS (CONTINUED)

Assuming successful completion of the Acquisition Transaction, the New Leaf USA Entities will be wholly-owned subsidiaries of the Company, and through which the Company will provide consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to the License Holder.

New Leaf USA

New Leaf USA, a Washington corporation, was formed on May 2, 2019.

Following are the wholly-owned subsidiaries of New Leaf USA:

- New Leaf Real Estate, LLC (“RealEstateCo”);
- New Leaf Equipment, LLC (“EquipmentCo”);
- New Leaf IP, LLC (“IPCo”);
- New Leaf Services LLC (“ServicesCo”); and
- New Leaf Hemp Company LLC (“HempCo”, and together with the Company, the “New Leaf Entities”).

The New Leaf USA Entities hold assets, comprised of real estate leases, equipment and other tangible and intangible assets, including intellectual property (“IP”) (collectively “Assets”).

The New Leaf USA Entities acquired the Assets through the reorganization transaction involving the License Holder (“Reorganization Transaction”). In particular, in connection with the Reorganization Transaction, among other things, the License Holder:

- sold all the equipment to EquipmentCo effective October 1, 2019 in exchange for a promissory note in the amount of US\$769,871,
- sold the intellectual property to IPCo effective October 1, 2019 in exchange for a promissory note in the amount of US\$1,300,000, and
- transferred, in August 2019, the lease of the approximately 30,000 square foot integrated cultivation facility located at 460 and 470 South Kenyon Street, Seattle, Washington which is currently leased by the License Holder (the “Facility”) to RealEstateCo.

Commencing on October 1, 2019,

- EquipmentCo leases the equipment to the License Holder in exchange for a monthly fee of US\$6,000.
- IPCo leases the intellectual property to the License Holder in exchange for annual exclusivity fees of US\$100,000 and the greater of US\$1.07 per each unit sold and quarterly license fee of US\$150,000.
- RealEstateCo leases the 30,000 square foot facility to the License Holder in exchange for monthly fees of US\$36,860 (which includes the base rent and payment of property tax amounts pursuant to the terms of the subleases).
- ServicesCo provides the services, which include staffing and human resources, bookkeeping and payroll, advertising and marketing, IT, and other consulting and advisory services, to the License Holder in exchange for a monthly fee of US\$251,000 for the services provided.

New Leaf Ventures Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in Canadian Dollars)

10. SUBSEQUENT EVENTS (CONTINUED)

In connection with the Acquisition Transaction, the Company intends to complete an initial public offering of up to 20,000,000 units ("Units") at a price of \$0.25 per Unit, for aggregate gross proceeds of up to \$5,000,000 (the "Offering"), and seek a listing of its common shares on the Canadian Securities Exchange (the "CSE"). Unit will consist of one (1) Unit Share and one-half of one Warrant, with each whole Warrant entitling the holder thereof, subject to the terms and conditions of the Warrant Indenture, to purchase one warrant share ("Warrant Share") at a price of \$0.40 per Warrant Share for a period of 24 months from the date the common shares of the Company are listed for trading on the CSE (the "Expiry Date"). If the closing price of the Common Shares on the CSE or any equivalent exchange is equal to or greater than \$0.60 per common share for a period of 10 consecutive trading days (the "Early Expiry Event"), the Warrants will be expired 30 days following the date the Company provides an early expiry notice (the "Early Expiry Date"). The Company intends to allocate \$0.249 of the issue price of each Unit as consideration for the issue of each Unit Share and \$0.001 as consideration for the issue of each one-half Warrant. The Units will be offered pursuant to an agency agreement (the "Agency Agreement") between the Company and Mackie Research Capital Corporation (the "Agent") to be entered into in connection with the Offering. The Company has also granted the Agent an option, exercisable in whole or in part, for a period of 30 days from and including the closing date of the Offering, to purchase up to an additional 15% of the Units (being 3,000,000 Units) on the same terms as above, to cover over-allotments, if any; any such additional Units would comprise part of the Offering.

Pursuant to the terms of the Agency Agreement, in respect of the Offering, the Company will pay the Agent (the "Agent's Commission") a cash fee equal to 8.0% of the aggregate gross proceeds of the Offering in respect of purchasers of Units, provided that the amount of the cash fee payable in connection with gross proceeds received from purchasers of Units on the president's list of the Company (the "President's List") is 2.0%.

As additional compensation, the Company has also agreed to:

- a) pay the Agent a corporate finance fee equal to \$30,000 (plus GST); and
- b) issue to the Agent such number of non-transferrable share purchase warrants (the "Agent Warrants") as is equal to 8.0% of the number of Units sold pursuant to the Offering, provided that the number of Agent Warrants issuable in connection Units sold to purchasers on the President's List is equal to 4.0% of the number of Units sold to such purchasers. Each Agent Warrant will be exercisable into one Unit (an "Agent Unit") at an exercise price of \$0.25 until the Expiry Date, subject to an Early Expiry Date upon the occurrence of an Early Expiry Event. Each Agent Unit will consist of one Common Share and one-half of one common share purchase warrant (each whole warrant, an "Agent Warrant"). Each Agent Warrant will entitle the holder thereof to purchase an additional Common Share on the same terms and conditions as the Warrants.

On November 14, 2019, the Company issued:

- 500,000 stock options of which 250,000 stock options issued to Chris Cooper and 250,000 stock options issued to Don Currie, with each option exercisable to acquire one common share of the Company at a price of \$0.25 per common share, for a period of five years; one quarter of the options will vest every six months, with the first quarter vesting on the grant date; and
- 500,000 common shares to Mike Stier, in settlement of 500,000 fully-vested restricted share rights granted to Mike Stier on the same date.

New Leaf Ventures Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in Canadian Dollars)

10. SUBSEQUENT EVENTS (CONTINUED)

On December 12, 2019, the Company issued:

- 145,000 common shares in settlement of the \$36,250 loan payable; and
- 378,000 common shares in settlement of the accounts payable of \$94,500.

New Leaf Ventures Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2019

(Expressed in Canadian Dollars)

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019
(Expressed in Canadian Dollars)

BACKGROUND

This management discussion and analysis ("MD&A") of the financial position of New Leaf Ventures Inc. (formerly known as "1166858 B.C. Ltd.") (the "Company") and results of its operations for nine months ended September 30, 2019 is prepared as at **MMMM DD**, 2019. This MD&A supplements the unaudited condensed interim financial statements of the Company and the notes thereto for the nine months ended September 30, 2019, which was prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the Company's audited financial statements and corresponding notes for the period ended December 31, 2018 and related MD&A. All dollar figures included therein and in the following M&DA are quoted in Canadian dollars.

FORWARD-LOOKING INFORMATION

This discussion contains "forward-looking statements" that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Such forward-looking statements include, among others, statements relating to the Letter of Intent ("LOI") entered into by the Company with New Leaf Enterprises, Inc. ("License Holder"), completion of the Acquisition Transaction (as defined below) with New Leaf USA Inc. ("New Leaf USA"), completing a going public transaction and listing of the Company's common shares on the Canadian Securities Exchange (the "CSE").

This MD&A contains forward-looking statements that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. The assumptions on which such forward-looking statements are based and the risk factors that could cause such forward-looking statements to vary, including assumptions and risks relating to the LOI, completion of the Acquisition Transaction, going public transaction and stock exchange listing and future sources of financing, are set out in the Company's Prospectus to which this MD&A is attached under the headings "Note Regarding Forward-Looking Information" and "Risk Factors".

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein.

Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A and the Prospectus, actual events may differ materially from current expectations. Except as required by applicable law, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

COMPANY OVERVIEW

The Company was incorporated under the Business Corporations Act (British Columbia) on June 4, 2018. The Company is currently in the process of identifying, evaluating and negotiating business opportunities.

PROPOSED TRANSACTION

During the nine months ended September 30, 2019, the Company entered into a LOI with the License Holder, a US cannabis company that holds a Tier 3 Producer/Processor license in Washington State. Under the LOI, the Company

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019
(Expressed in Canadian Dollars)

would acquire, directly or through newly formed Washington State entities, certain rights in respect of the assets of the License Holder and subsequently complete a going public transaction.

SELECTED INFORMATION

	For the nine months ended	For the period from incorporation on June 4, 2018 to	
	September 30, 2019	September 30, 2018	September 30, 2017
	\$	\$	\$
Operating expenses	845,266	46,127	N/A
Net loss for the period	(845,266)	(46,127)	N/A
Comprehensive loss for the period	(845,266)	(46,127)	N/A
Basic and diluted loss per share:			
- net loss	(0.09)	(230.64)	N/A

	As at	September 30, 2019	December 31, 2018	December 31, 2017
		\$	\$	\$
Working capital (deficiency)		(337,265)	(36,249)	N/A
Total assets		78,397	1	N/A
Total liabilities		415,662	36,250	N/A
Share capital		544,251	1	N/A
Deficit		881,516	36,250	N/A

RESULTS OF OPERATIONS

	Three months ended			
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	\$	\$	\$	\$
Interest income	-	-	-	-
Net loss	(475,599)	(352,008)	(17,659)	(36,250)
Comprehensive loss	(475,599)	(352,008)	(17,659)	(36,250)
Basic and diluted loss per share	(0.04)	(0.03)	(0.02)	(181.25)

	Three months ended			
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
	\$	\$	\$	\$
Interest income	-	N/A	N/A	N/A
Net loss	(46,127)	N/A	N/A	N/A
Comprehensive loss	(46,127)	N/A	N/A	N/A
Basic and diluted loss per share	(230.64)	N/A	N/A	N/A

During the three months ended September 30, 2019, the Company incurred a net loss of \$475,599 which mainly related to professional fees of \$375,691 and consulting fees of \$90,000.

Professional fees incurred for the three months ended September 30, 2019 was mainly related to the Acquisition Transaction and related matters.

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019
(Expressed in Canadian Dollars)

The Company incurred \$90,000 consulting fees during the three months ended September 30, 2019 to a consulting firm which mainly provided advice on the business development and strategies, eCommerce solution, marketing and financial projection to the Company.

During the nine months ended September 30, 2019, the Company incurred a net loss of \$845,266, representing an increase of \$799,139 when compared with \$46,127 for the period from incorporation on June 4, 2018 to September 30, 2018. The increase in net loss during the nine months ended September 30, 2019 was primarily the result of increases in consulting fees of \$226,566 and professional fees of \$558,301.

Professional fees incurred for the nine months ended September 30, 2019 was mainly related to the Acquisition Transaction and related matters.

The Company incurred \$226,566 consulting fees during the nine months ended September 30, 2019 to two consulting firms which mainly provided advice on the business development and strategies, eCommerce solution, marketing and financial projection to the Company.

LIQUIDITY / CAPITAL RESOURCES

On February 26, 2019, the Company completed a private placement and issued 12,000,000 units at a price of \$0.05 per share for gross proceeds of \$600,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at an exercise price of \$0.05 at any time prior to February 26, 2021.

The Company expects it will continue to fund its operations through either debt or equity financings until it develops cash flow from future operations. There can be no assurances the Company will be successful in its endeavors. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail its activities to a level for which funding is available or can be obtained.

The Company does not derive any revenues from operations and has no material income from operations.

As at September 30, 2019, the Company had a working capital deficiency of \$337,265.

The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants.

OUTSTANDING SHARE DATA

Authorized share capital

- Unlimited number of preferred shares without par value; and
- Unlimited number of common shares without par value.

At September 30, 2019, the Company had 12,000,000 common shares issued and outstanding.

During the nine months ended September 30, 2019

- On February 26, 2019, the Company completed a private placement of 12,000,000 units at a price of \$0.05 for gross proceeds of \$600,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles its holder to purchase one additional common share at an exercise price of \$0.05 at any

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019
(Expressed in Canadian Dollars)

time prior to February 26, 2021. In connection with the private placement, the Company incurred \$55,750 in share issuance costs.

- On June 19, 2019, the Company cancelled the 200 shares issued to the incorporator on June 4, 2018.

Subsequent to September 30, 2019

On November 14, 2019, the Company issued:

- 500,000 stock options of which 250,000 stock options issued to Chris Cooper and 250,000 stock options issued to Don Currie, with each option exercisable to acquire one common share of the Company at a price of \$0.25 per common share, for a period of five years; one quarter of the options will vest every six months, with the first quarter vesting on the grant date; and
- 500,000 common shares to Mike Stier, in settlement of 500,000 fully-vested restricted share rights granted to Mike Stier on the same date.

On December 12, 2019, the Company issued:

- 145,000 common shares in settlement of the \$36,250 loan payable; and
- 378,000 common shares in settlement of the accounts payable of \$94,500.

As at the date of this MD&A, the Company had the following common shares and warrants issued and outstanding:

- 13,023,000,000 common shares;
- 12,000,000 warrants with exercise prices of \$0.05 expiring on February 26, 2021.
- 500,000 stock options with exercise prices of \$0.25.

TRANSACTIONS WITH RELATED PARTIES

During the nine months ended September 30, 2019, the Company incurred directors' fees of \$5,355 (September 30, 2018 – \$nil).

SUBSEQUENT EVENTS

- On September 13, 2019, the Company entered into the Share Purchase Agreement ("Acquisition Transaction") to purchase New Leaf USA Inc. ("New Leaf USA") and its subsidiaries (collectively the "New Leaf USA Entities"). Following completion of the Acquisition Transaction, the New Leaf USA Entities will be the core business of the Company.

To complete the Acquisition Transaction, the Company will:

- Issue 9,000,000 shares; and
- Issue 4,000,000 performance warrants ("Performance Warrants").

Each Performance Warrant will entitle the holder to purchase one common share of the Company at the price of \$0.02 per common share for a period of three years, and will vest and become exercisable as follows:

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019
(Expressed in Canadian Dollars)

- (i) 2,000,000 Performance Warrants will vest and become exercisable if the Company or the License Holder achieves at least \$5,000,000 in annual gross revenue; and
- (ii) 2,000,000 Performance Warrants will vest and become exercisable if the Company or License Holder achieves at least \$7,500,000 in annual gross revenue.

In addition, New Leaf USA will enter into the employment agreements, pursuant to which Robert Colwell will be appointed to act as Chief Executive Officer of New Leaf USA, and Boris Gorodnitsky will be appointed to act as President of New Leaf USA, in each case, for a period of three years following the closing of the Acquisition Transaction, and pursuant to which the Company will issue 1,829,338 common shares to each of Boris Gorodnitsky and Robert Colwell.

Assuming successful completion of the Acquisition Transaction, the New Leaf USA Entities will be wholly-owned subsidiaries of the Company, and through which the Company will provide consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to the License Holder.

New Leaf USA

New Leaf USA, a Washington corporation, was formed on May 2, 2019.

Following are the wholly-owned subsidiaries of New Leaf USA:

- New Leaf Real Estate, LLC (formerly known as 6858 Real Estate, LLC) ("RealEstateCo");
- New Leaf Equipment, LLC (formerly known as 6858 Equipment, LLC) ("EquipmentCo");
- New Leaf IP, LLC (formerly known as 6858 IP, LLC) ("IPCo");
- New Leaf Services LLC (formerly known as 6858 Services LLC) ("ServicesCo"); and
- New Leaf Hemp Company LLC ("HempCo", and together with the Company, the "New Leaf Entities").

The New Leaf USA Entities hold assets, comprised of real estate leases, equipment and other tangible and intangible assets, including intellectual property ("IP") (collectively "Assets").

The New Leaf USA Entities acquired the Assets through the reorganization transaction involving the License Holder ("Reorganization Transaction"). In particular, in connection with the Reorganization Transaction, among other things, the License Holder:

- sold all the equipment to EquipmentCo effective October 1, 2019 in exchange for a promissory note in the amount of US\$769,871,
- sold the intellectual property to IPCo effective October 1, 2019 in exchange for a promissory note in the amount of US\$1,300,000, and
- transferred, in August 2019, the lease of the approximately 30,000 square foot integrated cultivation facility located at 460 and 470 South Kenyon Street, Seattle, Washington which is currently leased by the License Holder (the "Facility") to RealEstateCo.

Commencing on October 1, 2019,

- EquipmentCo leases the equipment to the License Holder in exchange for a monthly fee of US\$6,000.
- IPCo leases the intellectual property to the License Holder in exchange for annual exclusivity fees of US\$100,000 and the greater of US\$1.07 per each unit sold and quarterly license fee of US\$150,000.
- RealEstateCo leases the 30,000 square foot facility to the License Holder in exchange for monthly fees of US \$36,860 (which includes the base rent and payment of property tax amounts pursuant to the terms of the subleases).

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019
(Expressed in Canadian Dollars)

- ServicesCo provides the services, which include staffing and human resources, bookkeeping and payroll, advertising and marketing, IT, and other consulting and advisory services, to the License Holder in exchange for a monthly fee of US\$251,000 for the services provided.

In connection with the Acquisition Transaction, the Company intends to complete an initial public offering of up to 20,000,000 units ("Units") at a price of \$0.25 per Unit, for aggregate gross proceeds of up to \$5,000,000 (the "Offering"), and seek a listing of its common shares on the Canadian Securities Exchange (the "CSE"). Each Unit will consist of one (1) Unit Share and one-half of one Warrant, with each whole Warrant entitling the holder thereof, subject to the terms and conditions of the Warrant Indenture, to purchase one warrant share ("Warrant Share") at a price of \$0.40 per Warrant Share for a period of 24 months from the date the common shares of the Company are listed for trading on the CSE (the "Expiry Date"). If the closing price of the Common Shares on the CSE or any equivalent exchange is equal to or greater than \$0.60 per common share for a period of 10 consecutive trading days (the "Early Expiry Event"), the Warrants will be expired 30 days following the date the Company provides an early expiry notice (the "Early Expiry Date"). The Company intends to allocate \$0.249 of the issue price of each Unit as consideration for the issue of each Unit Share and \$0.001 as consideration for the issue of each one-half Warrant. The Units will be offered pursuant to an agency agreement (the "Agency Agreement") between the Company and Mackie Research Capital Corporation (the "Agent") to be entered into in connection with the Offering. The Company has also granted the Agent an option, exercisable in whole or in part, for a period of 30 days from and including the closing date of the Offering, to purchase up to an additional 15% of the Units (being 3,000,000 Units) on the same terms as above, to cover over-allotments, if any; any such additional Units would comprise part of the Offering.

Pursuant to the terms of the Agency Agreement, in respect of the Offering, the Company will pay the Agent (the "Agent's Commission") a cash fee equal to 8.0% of the aggregate gross proceeds of the Offering in respect of purchasers of Units, provided that the amount of the cash fee payable in connection with gross proceeds received from purchasers of Units on the president's list of the Company (the "President's List") is 2.0%.

As additional compensation, the Company has also agreed to:

- a) pay the Agent a corporate finance fee equal to \$30,000 (plus GST); and
- b) issue to the Agent such number of non-transferrable share purchase warrants (the "Agent Warrants") as is equal to 8.0% of the number of Units sold pursuant to the Offering, provided that the number of Agent Warrants issuable in connection Units sold to purchasers on the President's List is equal to 4.0% of the number of Units sold to such purchasers. Each Agent Warrant will be exercisable into one Unit (an "Agent Unit") at an exercise price of \$0.25 until the Expiry Date, subject to an Early Expiry Date upon the occurrence of an Early Expiry Event. Each Agent Unit will consist of one Common Share and one-half of one common share purchase warrant (each whole warrant, an "Agent Warrant"). Each Agent Warrant will entitle the holder thereof to purchase an additional Common Share on the same terms and conditions as the Warrants.

On November 14, 2019, the Company issued:

- 500,000 stock options of which 250,000 stock options issued to Chris Cooper and 250,000 stock options issued to Don Currie, with each option exercisable to acquire one common share of the Company at a price of \$0.25 per common share, for a period of five years; one quarter of the options will vest every six months, with the first quarter vesting on the grant date; and
- 500,000 common shares to Mike Stier, in settlement of 500,000 fully-vested restricted share rights granted to Mike Stier on the same date.

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019
(Expressed in Canadian Dollars)

On December 12, 2019, the Company issued:

- 145,000 common shares in settlement of the \$36,250 loan payable; and
- 378,000 common shares in settlement of the accounts payable of \$94,500.

CONTRACTUAL OBLIGATIONS

There are no significant contractual obligations.

OFF-BALANCE SHEET ARRANGEMENT

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

These financial statements have been prepared using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. Refer to Note 2 of the audited financial statements for the period ended December 31, 2018 for details on critical accounting estimates and judgments.

NEW ACCOUNTING STANDARDS

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2019.

- **IFRS 16 – Leases:** New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company completed an assessment and concluded that there is no significant change to its financial statements from adopting this new standard.
- **IFRIC 23 – Uncertainty over Income Tax Treatments:** This standard was issued by the IASB in June 2017 and specifies the interpretation to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company completed an assessment and concluded that there will be no significant change to its financial statements from adopting this new standard.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in various tables in note 8 of our unaudited financial statements for the nine months ended September 30, 2019. For a discussion on the significant assumptions made in determining

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019
(Expressed in Canadian Dollars)

the fair value of financial instruments, refer also to note 2 of the audited financial statements for the period ended December 31, 2018.

RISKS AND UNCERTAINTIES

The Company is subject to a number of risk factors due to the nature of its business. These risks and uncertainties may impact the Company's ability to successfully execute its key strategies and may affect future events, performance or results. Some of these risks and uncertainties are described in this MD&A. However, the risks and uncertainties set out in this MD&A are not exhaustive. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business performance, condition, operations or strategies and plans.

Ongoing Need for Financing

It is intended that the Company will continue to make investments to support business growth and may require additional funds to respond to business challenges. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of the Company's shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, additional financing may not be available on favourable terms, if at all. If the Company is unable to obtain adequate financing or financing on terms satisfactory to them, when they require it, their ability to continue to support business growth and to respond to business challenges could be significantly limited.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire the assets or shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. The level of the Company's indebtedness from time to time could impair its ability to obtain additional financing in the future, on a timely basis, to take advantage of business opportunities that may arise.

Business plan is new and contains inherent risks

Our business plan is innovative and non-traditional. As such, we cannot be certain of commercial or any other kind of success for us and cannot guarantee same.

Limited operating history

The Company has a very limited operating history upon which an evaluation of its prospects can be based. The prospects must be evaluated with a view to the risks encountered by a business in an early stage of operations. The Company has not been profitable and has incurred net operating losses during its recent operating history. The Company cannot guarantee it will ever be profitable, have a positive cash flow, or be able to continue in business.

Potential Conflicts of Interest

Certain directors or officers of the Company are also directors, officers, shareholders and/or promoters of other reporting and non-reporting issuers. Such associations may give rise to conflicts of interest from time to time. The

New Leaf Ventures Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019
(Expressed in Canadian Dollars)

directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. Conflicts of interest, if any, will be subject to, and will be resolved in accordance with, the procedures and remedies under the BCBCA.

Reliance on Others and Key Personnel

The success of the Company will be largely dependent upon the performance of its management and key employees, as well as the talents of its outside consultants and suppliers. The Company may not have any "key man" insurance policies, and therefore there is a risk that the death or departure of any one or more members of management or any key employee could have a material adverse effect on the Company. The Company also faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain the employees, personnel and/or consultants necessary to successfully carry out its activities.

Litigation

All industries are subject to legal claims, with and without merit. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's operations and financial position.

Dividends

To date, the Company has not paid any dividends on its outstanding securities and the Company does not expect to do so in the foreseeable future. Any decision to pay dividends on Company's shares will be made by the Board of Directors.

Changes in Laws

Changes to any of the laws, rules, regulations or policies to which the Company is subject could have a significant impact on the Company's business. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact the Company's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

Speculative investment

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described above and the other information filed with the Canadian securities regulators before investing in the Company's common shares. The risks described are not the only ones faced. Additional risks that the Company currently believes are immaterial may become important factors that affect the Company's business. If any of these risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed and investors may lose all of their investment.

**NEW LEAF VENTURES INC.
PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED – PREPARED BY MANAGEMENT)

(EXPRESSED IN CANADIAN DOLLARS)

SEPTEMBER 30, 2019

NEW LEAF VENTURES INC.
PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	New Leaf Ventures Inc. September 30, 2019	New Leaf USA Entities September 30, 2019	Note(s)	Pro-forma Adjustments	Pro-forma Consolidated
	\$	\$		\$	\$
Assets					
Current assets					
Cash	61,257	3	4(d)	71,280	6,234,912
			4(e)	693,000	
			4(f)	2,981,880	
			4(k)	4,168,500	
			4(m)	(372,600)	
			4(p)	(45,300)	
			4(q)	(1,323,108)	
Amounts receivable	17,140	-		-	17,140
Current lease receivable	-	-	4(j)	549,760	549,760
Prepaid expenses	-	-	4(n)	914,669	686,006
			4(n)	(228,663)	
Total current assets	78,397	3		7,409,418	7,487,818
Non-current assets					
Lease receivable	-	-	4(g)	3,070,248	2,457,073
			4(h)	(400,878)	
			4(i)	337,463	
			4(j)	(549,760)	
Equipment	-	-	4(a)	1,016,230	985,743
			4(o)	(30,487)	
Intellectual property	-	-	4(b)	1,716,000	1,664,520
			4(o)	(51,480)	
Goodwill and other intangible assets	-	-	4(c)	3,091,699	3,091,699
Total non-current assets	-	-		8,199,035	8,199,035
Total assets	78,397	3		15,608,453	15,686,853

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

NEW LEAF VENTURES INC.
PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	New Leaf Ventures Inc. September 30, 2019	New Leaf USA Entities September 30, 2019	Note(s)	Pro-forma Adjustments	Pro-forma Consolidated
	\$	\$		\$	\$
Liabilities and shareholders' equity (deficiency)					
Liabilities					
Current liabilities					
Accounts payable and accrual liabilities	379,412	-	4(v)	(94,500)	284,912
Loan payable	36,250	-	4(s)	(36,250)	-
Income tax payable	-	-	4(r)	414,000	414,000
Current portion of lease obligations	-	-	4(j)	549,760	549,760
Total current liabilities	415,662	-		833,010	1,248,672
Non-current liabilities					
Promissory notes	-	-	4(a) 4(b) 4(q)	1,016,230 1,716,000 (1,323,108)	1,409,122
Lease obligations	-	-	4(g) 4(h) 4(i) 4(j)	3,070,248 (400,878) 337,463 (549,760)	2,457,073
Contingent liabilities	-	-	4(c)	841,702	841,702
Total non-current liabilities	-	-		4,707,897	4,707,897
Total liabilities	415,662	-		5,540,907	5,956,569

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

NEW LEAF VENTURES INC.
PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars)

	New Leaf Ventures Inc. September 30, 2019	New Leaf USA Entities September 30, 2019	Note(s)	Pro-forma Adjustments	Pro-forma Consolidated
	\$	\$		\$	\$
Shareholders' equity					
Share capital	544,251	3	4(c) 4(k) 4(l) 4(n) 4(s) 4(u) 4(v)	2,249,997 4,168,500 (231,726) 914,669 36,250 125,000 94,500	7,901,444
Reserve	-	-	4(l) 4(t)	231,726 76,031	307,757
Retained earnings (deficit)	(881,516)	-	4(d) 4(e) 4(f) 4(m) 4(n) 4(o) 4(p) 4(r) 4(t) 4(u)	71,280 693,000 2,981,880 (372,600) (228,663) (81,967) (45,300) (414,000) (76,031) (125,000)	1,521,083
Total shareholders' equity (deficiency)	(337,265)	3		10,067,546	9,730,284
Total liabilities and shareholders' equity	78,397	3		15,608,453	15,686,853

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

NEW LEAF VENTURES INC.
PRO-FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

For the period ended:	New Leaf Ventures Inc. September 30, 2019	New Leaf USA Entities September 30, 2019	Note	Pro-forma Adjustments	Pro-forma Consolidated
	\$	\$		\$	\$
REVENUE					
Equipment rental income	-	-	4(d)	71,280	71,280
IP lease income	-	-	4(e)	693,000	693,000
Service income	-	-	4(f)	2,981,880	2,981,880
TOTAL REVENUE	-	-		3,746,160	3,746,160
EXPENSES					
Amortization	-	-	4(o)	51,480	51,480
Consulting fees	226,566	-	4(p)	2,000	228,566
Depreciation	-	-	4(o)	30,487	30,487
Director's fees	5,355	-		-	5,355
Foreign exchange loss	3,145	-		-	3,145
Management and directors' fees	-	-	4(m) 4(n)	372,600 228,663	601,263
Office	642	-	4(p)	25,400	26,042
Professional fees	604,428	-	4(p)	12,000	616,428
Selling, marketing and promotion	-	-	4(p)	1,300	1,300
Share-based payments	-	-	4(t) 4(u)	76,031 125,000	201,031
Transfer agent and filing fees	5,130	-		-	5,130
Travel	-	-	4(p)	4,600	4,600
TOTAL EXPENSES	845,266	-		929,561	1,774,827
INCOME TAX EXPENSES	-	-	4(r)	(414,000)	(414,000)
TOTAL INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(845,266)	-		2,402,599	1,557,333

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

NEW LEAF VENTURES INC.
PRO-FORMA CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian Dollars)

	New Leaf Ventures Inc. December 31, 2018	Note	Pro-forma Adjustments	Pro-forma Consolidated
For the year ended:	\$		\$	\$
REVENUE				
Equipment rental income	-	4(d)	55,440	55,440
IP lease income	-	4(e)	473,000	473,000
Rental income	-	4(w)	101,640	101,640
Service income	-	4(f)	2,319,240	2,319,240
TOTAL REVENUE	-		2,949,320	2,949,320
EXPENSES				
Amortization	-	4(o)	40,040	40,040
Consulting fees	-	4(p)	1,600	1,600
Depreciation	-	4(o)	23,712	23,712
Management and directors' fees	-	4(m) 4(n)	286,300 177,849	464,149
Office	-	4(p)	19,800	19,800
Professional fees	36,250	4(p)	9,300	45,550
Rent	-	4(s)	181,465	181,465
Selling, marketing and promotion	-	4(p)	1,000	1,000
Travel	-	4(p)	3,600	3,600
TOTAL EXPENSES	36,250		744,666	780,916
INCOME TAX EXPENSES	-	4(r)	(463,000)	(463,000)
TOTAL INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	(36,250)		1,741,654	1,705,404

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

NEW LEAF VENTURES INC.
NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)
SEPTEMBER 30, 2019

1. BASIS OF PRESENTATION

The accompanying unaudited pro-forma consolidated financial statements of New Leaf Ventures Inc. ("New Leaf" or the "Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") from information derived from the financial statements of the Company to show effect of the proposed transaction (the "Transaction") as discussed in Note 3.

The unaudited pro-forma consolidated financial statements of the Company are compiled from and include:

- The Company's audited financial statements as at December 31, 2018 and for the period from incorporation on June 4, 2018 to December 31, 2018.
- The Company's unaudited condensed interim financial statements as at September 30, 2019 and for the nine months ended September 30, 2019.
- New Leaf Enterprises, Inc.'s ("License Holder") audited financial statements as at December 31, 2018 and for the year ended December 31, 2018.
- License Holder's unaudited condensed interim financial statements as at September 30, 2019 and for the nine months ended September 30, 2019.
- New Leaf USA, Inc.'s ("New Leaf USA") audited consolidated financial statements as at September 30, 2019 and for the period from incorporation on May 2, 2019 to September 30, 2019.
- Additional information as set out in Note 3.

The financial statements of the Company have been presented in Canadian Dollars (C\$), which is its functional currency. For the purpose of these pro-forma consolidated financial statements, all of the transactions stated in United States Dollars (US\$) have been converted at a rate of US\$1.00 = C\$1.32.

The unaudited pro-forma consolidated financial statements should be read in conjunction with the audited financial statements of the Company as at December 31, 2018 and for the year ended December 31, 2018 and the unaudited condensed interim financial statements of the Company as at September 30, 2019 and for the nine months ended September 30, 2019.

The unaudited pro-forma consolidated statement of financial position as at September 30, 2019 has been prepared as if the Transaction had occurred on September 30, 2019. The unaudited pro-forma consolidated statement of loss and comprehensive loss for the year ended December 31, 2018 has been prepared as if the Transaction had occurred on June 4, 2018 which is the incorporation date of the Company, while the unaudited pro-forma consolidated statement of loss and comprehensive loss for the nine months ended September 30, 2019 has been prepared as if the Transaction had occurred on January 1, 2019.

The unaudited pro-forma consolidated financial statements are not necessarily indicative of the financial position that would have been achieved if the Transaction had been completed on the dates indicated, nor do they purport to project the financial position or results of operations of the consolidated entities for any future period. In the opinion of the management of the Company, the unaudited pro-forma consolidated statements include all adjustments necessary for a fair presentation of the Transaction in Note 3. These unaudited pro-forma consolidated financial statements do not reflect any cost savings that could result from the combination of the operations of the Company, as management does not anticipate any material cost savings as a result of the Transaction.

NEW LEAF VENTURES INC.
NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)
SEPTEMBER 30, 2019

2. SIGNIFICANT ACCOUNTING POLICIES

The pro-forma adjustments are based in part on estimates, including the fair values of the assets acquired and liabilities assumed, as applicable. For purposes of the pro-forma consolidated statement of financial position, it is assumed that there are no tax consequences and no income tax effect is being recorded. The Company has incurred losses since inception and when combined are also not expected to generate profits in the immediate future, and therefore neither entity carries any deferred tax assets in its most recent financial statements.

The accounting policies used in the preparation of the unaudited pro-forma consolidated financial statements are consistent with those set out in the audited financial statements of the Company for the year ended December 31, 2018, the audited financial statements of the License Holder for the year ended December 31, 2018, the unaudited condensed interim financial statements of the Company as at September 30, 2019 and for the nine months ended September 30, 2019, and the unaudited condensed interim financial statements of the License Holder as at September 30, 2019 and for the nine months ended September 30, 2019, and the audited condensed interim financial statements as at September 30, 2019 and for the period from incorporation on May 2, 2019 to September 30, 2019 of New Leaf USA, which are applied in the preparation of the unaudited pro-forma consolidated financial statements as at and for the year ended December 31, 2018.

There were no adjustments required to conform amounts for New Leaf USA to the Company's accounting policies.

3. DESCRIPTION OF THE TRANSACTION

The Company was incorporated under the BC Business Corporations Act ("BCBCA") as "1166858 B.C. Ltd." on June 4, 2018. On September 18, 2019, the Company changed its name to "New Leaf Ventures Inc." The Company's head office and registered and records office is located at Suite 2200-855 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E8.

On February 26, 2019, the Corporation completed an initial non-brokered private placement for gross proceeds of \$600,000, consisting of 12,000,000 units at a price of \$0.05 per unit (the "PP Units"), where each unit consists of one Common Share (a "PP Unit Share") and one common share purchase warrant (a "PP Warrant"), with each PP Warrant entitling the holder thereof to purchase one additional Common Share (a "PP Warrant Share") at a price of \$0.05 per PP Warrant Share for a period of 24 months from the date of issue.

On September 13, 2019, the Company entered into the Share Purchase Agreement ("Acquisition Transaction") to purchase New Leaf USA and its subsidiaries (collectively the "New Leaf USA Entities"). Following completion of the Acquisition Transaction, the New Leaf USA Entities will be the core business of the Company.

To complete the Acquisition Transaction, the Company will:

- Issue 9,000,000 shares; and
- Issue 4,000,000 performance warrants ("Performance Warrants").

Each Performance Warrant will entitle the holder to purchase one common share of the Company at the price of \$0.02 per common share for a period of three years, and will vest and become exercisable as follows:

- (i) 2,000,000 Performance Warrants will vest and become exercisable if either the License Holder or the Company achieves at least \$5,000,000 in annual gross revenue; and
- (ii) 2,000,000 Performance Warrants will vest and become exercisable if either the License Holder or the Company achieves at least \$7,500,000 in annual gross revenue.

NEW LEAF VENTURES INC.
NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)
SEPTEMBER 30, 2019

3. DESCRIPTION OF THE TRANSACTION (CONTINUED)

In addition, the Company will enter into employment agreements, pursuant to which Robert Colwell will be appointed to act as Chief Executive Officer of the Company, and Boris Gorodnitsky will be appointed to act as President of the Company, in each case, for a period of three years following the closing of the Acquisition Transaction, and pursuant to which the New Leaf will issue 1,829,338 common shares to each of Boris Gorodnitsky and Robert Colwell.

Assuming successful completion of the Acquisition Transaction, the Company and its subsidiaries will be wholly-owned by New Leaf, and through which New Leaf will provide consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to the License Holder.

New Leaf USA

New Leaf USA, a Washington corporation, was formed on May 2, 2019.

Following are the wholly-owned subsidiaries of New Leaf USA:

- New Leaf Real Estate, LLC (“RealEstateCo”);
- New Leaf Equipment, LLC (“EquipmentCo”);
- New Leaf IP, LLC (“IPCo”);
- New Leaf Services LLC (“ServicesCo”); and
- New Leaf Hemp Company LLC (“HempCo”)

The New Leaf USA Entities, holds assets, comprised of real estate leases, equipment and other tangible and intangible assets, including intellectual property (“IP”) (collectively “Assets”).

The New Leaf USA Entities acquired the Assets through the reorganization transaction involving the License Holder (“Reorganization Transaction”). In particular, in connection with the Reorganization Transaction, among other things, the License Holder:

- sold all the equipment to EquipmentCo effective October 1, 2019 in exchange for a promissory note in the amount of US\$769,871,
- sold the intellectual property to IPCo effective October 1, 2019 in exchange for a promissory note in the amount of US\$1,300,000, and
- transferred, in August 2019, the lease of the approximately 30,000 square foot integrated cultivation facility located at 460 and 470 South Kenyon Street, Seattle, Washington which is currently leased by the License Holder (the “Facility”) to RealEstateCo.

Commencing on October 1, 2019,

- EquipmentCo leases the equipment to the License Holder in exchange for a monthly fee of US\$6,000.
- IPCo leases the intellectual property to the License Holder in exchange for annual exclusivity fees of US\$100,000 and the greater of US\$1.07 per each unit sold and quarterly license fee of US\$150,000.
- RealEstateCo leases the 30,000 square foot facility to the License Holder in exchange for monthly fees of US \$36,860 (which includes the base rent and payment of property tax amounts pursuant to the terms of the subleases).
- ServicesCo provides the services, which include staffing and human resources, bookkeeping and payroll, advertising and marketing, IT, and other consulting and advisory services, to the License Holder in exchange for a monthly fee of US\$251,000 for the services provided.

NEW LEAF VENTURES INC.
NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)
SEPTEMBER 30, 2019

3. DESCRIPTION OF THE TRANSACTION (CONTINUED)

In connection with the Acquisition Transaction, the Company intends to complete an initial public offering of up to 20,000,000 units ("Units") at a price of \$0.25 per Unit, for aggregate gross proceeds of up to \$5,000,000 (the "Offering"), and seek a listing of its common shares on the Canadian Securities Exchange (the "CSE"). Each Unit will consist of one (1) Unit Share and one-half of one Warrant, with each whole Warrant entitling the holder thereof, subject to the terms and conditions of the Warrant Indenture, to purchase one warrant share ("Warrant Share") at a price of \$0.40 per Warrant Share for a period of 24 months from the date the common shares of the Company are listed for trading on the CSE (the "Expiry Date"). If the closing price of the Common Shares on the CSE or any equivalent exchange is equal to or greater than \$0.60 per common share for a period of 10 consecutive trading days (the "Early Expiry Event"), the Warrants will be expired 30 days following the date the Company provides an early expiry notice (the "Early Expiry Date"). The Company intends to allocate \$0.249 of the issue price of each Unit as consideration for the issue of each Unit Share and \$0.001 as consideration for the issue of each one-half Warrant. The Units will be offered pursuant to an agency agreement (the "Agency Agreement") between the Company and Mackie Research Capital Corporation (the "Agent") to be entered into in connection with the Offering. The Company has also granted the Agent an option, exercisable in whole or in part, for a period of 30 days from and including the closing date of the Offering, to purchase up to an additional 15% of the Units (being 3,000,000 Units) on the same terms as above, to cover over-allotments, if any; any such additional Units would comprise part of the Offering.

Pursuant to the terms of the Agency Agreement, in respect of the Offering, the Company will pay the Agent (the "Agent's Commission") a cash fee equal to 8.0% of the aggregate gross proceeds of the Offering in respect of purchasers of Units, provided that the amount of the cash fee payable in connection with gross proceeds received from purchasers of Units on the president's list of the Company (the "President's List") is 2.0%.

As additional compensation, the Company has also agreed to:

- a) pay the Agent a corporate finance fee equal to \$30,000 (plus GST); and
- b) issue to the Agent such number of non-transferrable share purchase warrants (the "Agent Warrants") as is equal to 8.0% of the number of Units sold pursuant to the Offering, provided that the number of Agent Warrants issuable in connection Units sold to purchasers on the President's List is equal to 4.0% of the number of Units sold to such purchasers. Each Agent Warrant will be exercisable into one Unit (an "Agent Unit") at an exercise price of \$0.25 until the Expiry Date, subject to an Early Expiry Date upon the occurrence of an Early Expiry Event. Each Agent Unit will consist of one Common Share and one-half of one common share purchase warrant (each whole warrant, an "Agent Warrant"). Each Agent Warrant will entitle the holder thereof to purchase an additional Common Share on the same terms and conditions as the Warrants.

4. PRO-FORMA ADJUSTMENTS AND ASSUMPTIONS

Transaction Accounting

On completion of the Acquisition Transaction, the shareholders of the Company will obtain control of New Leaf USA by obtaining 100% of the common shares thereof. As New Leaf USA qualifies as a business according to the definitions within IFRS 3 Business Combinations, the Acquisition Transaction constitutes a business combination. The consideration paid reflects benefit of expected revenue and future market development which give rise to goodwill. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

NEW LEAF VENTURES INC.
NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)
SEPTEMBER 30, 2019

4. PRO-FORMA ADJUSTMENTS AND ASSUMPTIONS (CONTINUED)

The Acquisition Transaction is measured at the fair value of the common shares and performance warrants issued to shareholders of New Leaf USA. The fair value of the common shares is determined to be \$0.25 per share based on the concurrent Offering. The fair value of Performance Warrants is estimated to be \$0.21 per warrant using the Black-Scholes options pricing model, and is considered as a significant estimate and judgement.

Subsequent to the completion of the Reorganization Transaction, the fair value of the net assets (liabilities) of New Leaf USA were:

Cash	\$	3
Equipment		1,016,230
Intangible assets		1,716,000
Promissory notes		(2,732,230)
	\$	3

The consideration consists of the fair value of the 9,000,000 of the Company valued at \$2,250,000 and 4,000,000 performance warrants valued at \$841,702.

Consideration	\$	3,091,702
Tangible net assets acquired		(3)
Goodwill and intangible assets	\$	3,091,699

The unaudited pro-forma consolidated statements reflect the following adjustments:

- a) To recognize the issuance of \$1,016,230 (US\$769,871) promissory note by New Leaf USA Entities to the License Holder in exchange for the equipment (the "Equipment Promissory Note"). The Equipment Promissory Note bears an interest rate of 2.72% and matures twenty-four months after the date of issuance.
- b) To recognize the issuance of \$1,716,000 (US\$1,300,000) promissory note by New Leaf USA Entities to the License Holder in exchange for the IP (the "IP Promissory Note"). The IP Promissory Note bears an interest rate of 2.72% and matures twenty-four months after the date of issuance.
- c) To record the consideration of 9,000,000 shares at a fair value of \$0.25 per share and the fair value (\$841,702) of the 4,000,000 Performance Warrants issued to New Leaf USA. The Company estimated the fair value of Performance Warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 1.85%, an expected life of 36 months, an expected volatility of 100% and an expected dividend yield of 0%. In addition, to determine the fair value of the Performance Warrants, the Company assumed the possible outcome of the criterion of vesting the Performance Warrants was 90% which was determined based on a weighted-average basis.
- d) To recognize the revenue of leasing the equipment from EquipmentCo (US\$6,000 per month) to the License Holder.
- e) To recognize the annual exclusivity fees (US\$100,000 per annum) and license fees relating to the lease of the IP (US\$150,000 per quarter).

NEW LEAF VENTURES INC.
NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)
SEPTEMBER 30, 2019

4. PRO-FORMA ADJUSTMENTS AND ASSUMPTIONS (CONTINUED)

- f) To recognize the service revenue charged by the Services Co to the License Holder. This revenue includes the monthly fees of US\$101,000 related to the employees and monthly fees of \$150,000 related to the other services.
- g) To recognize the fair value of the lease obligation and sublease receivable under IFRS 16.
- h) To recognize the monthly lease payment paid for the Facility and the monthly sublease payment received from the License holder (Note 4(g)).
- i) To recognize the interest expenses of the lease obligations and interest revenue of the lease receivable (Note 4(g)).
- j) To reclassify the current portion of the lease obligations and the lease receivable.
- k) To record net proceeds of the Offering.

Gross proceeds from the Offering	\$ 5,000,000
Less:	
Agent's Commission	(400,000)
Agent's Fees	(31,500)
Expenses and costs relating to the Offering	(400,000)
	\$ 4,168,500

- l) To record the fair value of \$20,000 allocated to the warrants attached to the Units and the fair value (\$211,726) of the Agent's Warrants. The Company estimated the fair value of Agent's Warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 1.85%, an expected life of 36 months, an expected volatility of 100% and an expected dividend yield of 0%. For purposes of the pro-forma preparation, the Company assumes that no Units are sold to purchasers on the President's Lists.
- m) To record the compensation of the directors and officers as follows:
 - Director's fees paid to the Company's Directors \$6,000 per month;
 - Management fees paid to the Company's CEO: \$4,000 per month;
 - Management fees paid to the Company's CFO: \$5,000 per month;
 - Management fees paid to New Leaf USA's CEO: US\$10,000 per month; and
 - Management fees paid to New Leaf USA's President: US\$10,000 per month,
- n) To record the fair value of 3,658,676 employment shares issued to Boris Gorodnitsky (1,829,338 shares) and Robert Colwell (1,829,338 shares). The fair value of \$914,669 was initially recorded as prepaid expense and subsequently charged to management and directors' fees over the term of the employment.
- o) To record the depreciation and amortization expenses for the equipment and IP.
- p) To record general expenses of the Company.
- q) To record the partial payment under Equipment Promissory Note (\$492,119) and IP Promissory Note (\$830,989) issued in Notes 4(a) and 4(b), respectively.

NEW LEAF VENTURES INC.
NOTES TO THE PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Expressed in Canadian Dollars)
SEPTEMBER 30, 2019

4. PRO-FORMA ADJUSTMENTS AND ASSUMPTIONS (CONTINUED)

- r) To recognize the estimated income tax expenses at a rate of 21%.
- s) To recognize the issuance of 145,000 common shares in settlement of \$36,250 loan payable.
- t) To recognize the share-based payments of 500,000 options granted on November 14, 2019 of which 250,000 stock options issued to Chris Cooper and 250,000 stock options issued to Don Currie, with each option exercisable to acquire one common share of the Company at a price of \$0.25 per common share, for a period of five years; one quarter of the options will vest every six months, with the first quarter vesting on the grant date. The Company estimated the fair value of the options using the Black-Scholes options pricing model, assuming a risk-free interest rate of 1.88%, an expected life of 5 years, an expected volatility of 100% and an expected dividend yield of 0%.
- u) To recognize the fair value of 500,000 common shares to Mike Stier, in settlement of 500,000 fully-vested restricted share rights granted to Mike Stier on November 14, 2019.
- v) To recognize the issuance of 378,000 common shares in settlement of \$94,500 accounts payable.
- w) To recognize the monthly lease payment for the Facility and sublease revenue received from the License holder under IAS 37.

5. PRO-FORMA SHARE CAPITAL

Share capital as at September 30, 2019 in the unaudited pro-forma consolidated statement of financial position is comprised of the following:

	Note(s)	Number of Common Shares	Amount (\$)
Authorized share capital			
Unlimited number of common shares without par value			
Issued			
As of September 30, 2019		12,000,000	544,251
Issued shares to vendors and former shareholders of New Leaf	4(c)	9,000,000	2,250,000
Issued employment shares	4(n)	3,658,676	914,669
Proceeds from equity financing, net of share issue costs	4(k), 4(l)	20,000,000	3,936,774
Issued shares for debt settlement	4(s), 4(v)	523,000	130,750
Issued shares in settlement fully-vested restricted share rights	4(u)	500,000	125,000
		45,681,676	7,901,444

SCHEDULE "B"
LICENSE HOLDER FINANCIAL STATEMENTS AND MD&A

(see attached)



New Leaf Enterprises, Inc.

Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in United States Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Directors of
New Leaf Enterprises, Inc.

Opinion

We have audited the accompanying financial statements of New Leaf Enterprises, Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017 and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred a net loss of \$1,195,485 and \$615,938 during the years ended December 31, 2018 and 2017, respectively. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Vancouver, Canada

Chartered Professional Accountants

DATE

New Leaf Enterprises, Inc.
Statements of Financial Position
(Expressed in United States Dollars)

	Note	December 31, 2018	December 31, 2017
ASSETS			
Current			
Cash		\$ 22,876	\$ 10,151
Accounts receivable and advances		21,257	13,566
Prepaid expenses		6,713	5,474
Deposits		20,259	55,259
Biological assets	4	455,637	626,628
Inventory	5	245,901	457,771
		772,643	1,168,849
Non-Current			
Property and equipment	6	543,572	654,896
Intangible asset	7	185,746	-
TOTAL ASSETS		\$ 1,501,961	\$ 1,823,745
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 1,692,440	\$ 1,166,843
Due to related parties	8	1,298,849	1,000,387
Current portion of long-term lease obligation	9	18,639	17,446
		3,009,928	2,184,676
Non-current			
Long-term lease obligation	9	18,788	37,428
TOTAL LIABILITIES		3,028,716	2,222,104
SHAREHOLDERS' DEFICIENCY			
Share capital	10	552,009	552,009
Deficit		(2,078,764)	(950,368)
		(1,526,755)	(398,359)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		\$ 1,501,961	\$ 1,823,745

Nature of operations and continuance of operations (note 1)

Commitment (note 12)

Segmented Information (note 13)

Subsequent Events (note 17)

Approved on behalf of the Board:

/s/ XXX

/s/ XXX

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

New Leaf Enterprises, Inc.
Statements of Loss and Comprehensive Loss
(Expressed in United States Dollars)

	Note	December 31, 2018	December 31, 2017
Revenue		\$ 2,578,783	\$ 2,344,231
Cost of goods sold		(2,323,612)	(1,702,700)
Gross margin, excluding fair value items		255,171	641,531
Changes in fair value of inventory sold		(1,507,069)	(2,184,644)
Fair value adjustment on growth of biological assets	5	1,125,162	1,999,417
Gross margin (loss)		(126,736)	456,304
Expenses			
Bad debt expenses		1,463	488
Consulting fees		2,656	17,353
Depreciation	6	11,983	21,160
General and administrative		24,834	78,530
Licenses and permits		12,572	10,805
Office equipment and supplies		8,928	10,734
Professional fees		15,923	22,979
Rent		37,529	59,569
Selling, marketing and promotion		1,714	1,035
Travel		6,049	4,224
Wages and benefits		763,361	690,636
		(887,012)	(917,513)
Other items			
Accretion of interest	8 and 9	(181,737)	(154,729)
		(181,737)	(154,729)
Total loss and comprehensive loss for the year		\$ (1,195,485)	\$ (615,938)
Basic and diluted loss per share for the period attributable to common shareholders		\$ (59.77)	\$ (30.80)
Weighted average number of common shares outstanding - basic and diluted		20,000	20,000

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

New Leaf Enterprises, Inc.
Statements of Changes in Shareholders' Deficiency
(Expressed in United States Dollars)

	Note	Share Capital		Deficit	Total
		Number of shares	Amount		
Balance at December 31, 2016		20,000	\$ 552,009	\$ (400,146)	\$ 151,863
Shareholders' contributions	8		-	65,716	65,716
Loss for the year			-	(615,938)	(615,938)
Balance at December 31, 2017		20,000	552,009	(950,368)	(398,359)
Shareholders' contributions	8		-	67,089	67,089
Loss for the year			-	(1,195,485)	(1,195,485)
Balance at December 31, 2018		20,000	\$ 552,009	\$ (2,078,764)	\$ (1,526,755)

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

New Leaf Enterprises, Inc.
Statements of Cash Flows
(Expressed in United States Dollars)

	Note	December 31, 2018	December 31, 2017
Cash flow provided from (used by)			
OPERATING ACTIVITIES			
Net income (loss) for the year		\$ (1,195,485)	\$ (615,938)
Adjustments for items not affecting cash:			
Fair value adjustment on growth of biological assets	5	(1,125,162)	(1,999,417)
Changes in fair value of inventory sold		1,507,069	2,184,644
Depreciation of property and equipment	6	115,576	155,549
Amortization of intangible asset	7	13,268	-
Accretion of interest of lease obligations	9	3,119	3,903
Accretion of interest of loan payable	8	178,618	150,826
Change in non-cash working capital			
Accounts receivable and advances		(7,691)	2,287
Prepaid expenses		(1,239)	2,847
Deposits		35,000	-
Biological assets		(843,523)	(542,060)
Inventories		844,477	366,752
Accounts payable and accrued liabilities		525,597	212,710
Cash flow from (used in) operating activities		49,624	(77,897)
INVESTING ACTIVITIES			
Purchase of property and equipment	6	(4,252)	(6,040)
Cash flow used investing activities		(4,252)	(6,040)
FINANCING ACTIVITIES			
Lease payments	9	(20,566)	(19,310)
Proceeds from loan payable	8	-	325,000
Repayment of loan payable	8	(12,081)	(211,578)
Cash flow from (used in) financing activities		(32,647)	94,112
Increase (decrease) in cash		\$ 12,725	\$ 10,175
Cash, beginning of year		10,151	(24)
Cash, end of year		\$ 22,876	\$ 10,151
Cash paid during the year for income taxes		\$ -	\$ -
Cash received during the year from interest		-	-

Supplemental cash inflow information (note 11)

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

New Leaf Enterprises
Statements of Financial Position
For the Years Ended December 31, 2018 and 2017
(Expressed in United States Dollars)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

New Leaf Enterprises, Inc. (the “Company”) was incorporated on March 15, 2013 pursuant to the provisions of the Washington Business Corporations Act. The Company’s registered office is located at 470 South Kenyon St., Seattle WA 98108 United States.

The Company is a US cannabis company that holds a Tier 3 Producer/Processor license in Washington State. The Company focuses on developing and implementing quality and safety methodologies for cannabis production, processing and extractions.

While some states in the United States have authorized the use and sale of marijuana, it remains illegal under federal law and the approach to enforcement of U.S. federal laws against marijuana is subject to change. Because the Company engages in marijuana-related activities in the United States, it assumes certain risks due to conflicting state and federal laws. The federal law relating to marijuana could be enforced at any time and this would put the Company at risk of being prosecuted and having its assets seized.

Given the current illegality of marijuana under United States federal law, the Company’s ability to access both public and private capital may be hindered by the fact that certain financial institutions are regulated by the United States federal government and are thus prohibited from providing financing to companies engaged in marijuana related activities. The Company’s ability to access public capital markets in the United States is directly hindered as a result. The Company may, however, be able to access public and private capital markets in Canada in order to support continuing operations.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. During the year ended December 31, 2018 and 2017, the Company incurred a loss of \$1,195,485 and \$615,938, respectively, from its operations. These items may cast a significant doubt on the Company's ability to continue as a going concern. The Company’s continuation as a going concern is dependent upon the successful results from its products and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to fund operating costs over the next twelve months with cash generated from sales and through further equity financings.

The financial statements of the Company for the year ended December 31, 2018 were approved by the Board of Directors on **MMMM DD**, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION

Basis of measurement

These financial statements have been prepared in United States dollars on a historical cost basis except for cash and biological assets measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

Functional and presentation currency

These financial statements are presented in United States dollar which is also the functional currency of the Company.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The information about significant areas of estimation uncertainty and judgment considered by management in preparing these financial statements is as follows:

- **Determination of functional currency**

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, the Company determined its functional currency is the United States Dollar as this is the currency of the primary economic environment in which the Company operates.

- **Estimated useful lives and depreciation of property and equipment**

Depreciation of property and equipment is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

- **Estimated useful lives and amortization of intangible assets**

Amortization of other assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION (CONTINUED)

Significant accounting policies (continued)

Critical accounting estimates and judgements (continued)

- **Biological assets and inventory**

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compares the inventory cost to estimated net realizable value.

- **Impairment of long-lived assets**

Long-lived assets, including property and equipment, and intangible assets, are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets ("CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

- **Income taxes**

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION (CONTINUED)

Significant accounting policies (continued)

Currency translation

The presentation currency and the functional currency of the Company is the United States dollar.

The functional currency of the Company is determined as the currency of the primary economic environment in which it operates. Transactions other than those in the functional currency of the entity are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are translated at year end exchange rates. Gains and losses on translation are included in net profit or loss for the year.

The functional currency of Company has remained unchanged during the reporting year.

Financial instruments

On January 1, 2018, the Company adopted IFRS 9, Financial Instruments (“IFRS 9”) which replaced IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”).

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Original classification - IAS 39	New classification IFRS 9
Financial assets:		
Cash	Fair value through profit and loss	Fair value through profit and loss
Accounts receivable and advances	Loans and receivables, measured at amortized costs	Amortized costs
Deposits	Loans and receivables, measured at amortized costs	Amortized costs

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION (CONTINUED)

Significant accounting policies (continued)

Financial instruments (continued)

	Original classification - IAS 39	New classification IFRS 9
Financial liabilities:		
Accounts payable and accrued liabilities	Financial liabilities, measured at amortized costs	Amortized costs
Due to related parties	Financial liabilities, measured at amortized costs	Amortized costs
Lease obligations	Financial liabilities, measured at amortized costs	Amortized costs

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. For financial liabilities,

IFRS 9 retains most of the IAS 39 requirements and since the Company does not have any financial liabilities designated at FVTPL, the adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities.

As a result of the adoption of IFRS 9, the Company's accounting policy for financial assets has been updated as follows:

- **Financial assets**

Classification and measurement

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION (CONTINUED)

Significant accounting policies (continued)

Financial instruments (continued)

- **Financial assets (continued)**

Classification and measurement (continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

Financial assets at FVTPL – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges. The Company has classified its cash and cash equivalents at FVTPL.

Financial assets at FVTOCI – Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. The Company has classified its long-term investment as FVTOCI.

Financial assets at amortized cost – Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

- **Financial liabilities**

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or classified at amortized cost.

Financial liabilities classified at amortized cost are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through profit and loss. The Company has no financial liabilities classified as FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION (CONTINUED)

Significant accounting policies (continued)

Financial instruments (continued)

- **Impairment of financial assets at amortized cost**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

- **Derecognition of financial assets**

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in profit and loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

- **Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of loss.

Biological assets

While the Company's biological assets are within the scope of IAS 41 Agriculture, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2, Inventories. They include the direct cost of growing materials as well as other indirect costs in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as facilities overhead costs, excluding depreciation, to the extent it is associated with the growing space. All direct and indirect costs of biological assets are expensed within cost of goods sold on the statement of loss and comprehensive loss in the period that the related product is sold. Unrealized fair value gain/losses on growth of biological assets are recorded in a separate line on the face of the statement of loss and comprehensive loss. Biological assets are measured at fair value less costs to sell on the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION (CONTINUED)

Significant accounting policies (continued)

Inventory

Inventories of harvested finished goods and packing materials are valued initially at cost and subsequently at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. All direct and indirect costs related to inventory are capitalized as they are incurred and they are subsequently recorded within 'cost of goods sold' on the statement of loss and comprehensive loss at the time cannabis is sold, except for realized fair value amounts included in inventory sold which are recorded as a separate line on the statement of loss and comprehensive loss.

Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale and supplies and consumables are valued at the lower of cost and net realizable value. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written down to net realizable value.

Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated using the following terms and methods:

Office equipment	Straight-line	5 to 10 years
Vehicles under lease	Straight-line	5 to 10 years
Production equipment	Straight-line	5 to 20 years
Leasehold improvements	Straight-line	Over lease term

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the profit or loss in the period the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date, and adjusted prospectively, if appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION (CONTINUED)

Significant accounting policies (continued)

Intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss when the asset is derecognized. At the end of each reporting period, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication of impairment. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognized immediately in profit or loss. When an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Revenue

On January 1, 2018, the Company has adopted the new accounting standard IFRS 15 to all revenue contracts using the cumulative retrospective effect of initially applying IFRS 15. The adoption of this standard did not have a material impact on the Company's financial statements, and as such it did not result in any adjustment in the amounts previously recognized in the financial statements.

IFRS 15 supersedes previous accounting standards for revenue, including IAS 11, Construction Contracts, and IAS 18, Revenue, and all existing IFRS revenue interpretations. IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Under IFRS 15, contract assets are presented separately from contract liabilities.

Revenue comprises the fair value of consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of returns and discounts.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION (CONTINUED)

Significant accounting policies (continued)

Revenue (continued)

Revenue from the sale of inventory is recognized when the Company has transferred the significant risks and rewards of ownership to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be reliably measured, it is probable that the economic benefits of the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Significant risks and rewards are generally considered to be transferred when the Company has shipped the product to customers. Revenue is recognized at the fair value of consideration received or receivable.

Income taxes

The Company is organized as an S-Corporation company in the State of Washington and is taxed as a partnership for U.S. federal and Washington state income tax reporting purposes. Accordingly, no provision for income taxes has been included in the accompanying financial statements since shareholders report the earnings or loss of the Company on their respective income tax returns.

3. SIGNIFICANT ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company:

- **IFRS 16 – Leases:** New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company will apply this new standard retrospectively with the cumulative effect of initially applying the standard recognized at the date of January 1, 2019. On adoption, the Company will recognize the ROU assets and lease liabilities of \$2,219,207 and \$2,325,945, respectively. The difference of \$106,738 will be charged to the opening deficit.
- **IFRIC 23 – Uncertainty over Income Tax Treatments:** This standard was issued by the IASB in June 2017 and specifies the interpretation to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company completed an assessment and concluded that there will be no significant change to its financial statements from adopting this new standard.

New Leaf Enterprises, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in United States Dollars)

4. BIOLOGICAL ASSETS

	December 31, 2018	December 31, 2017
Beginning of year	\$ 626,628	\$ 530,495
Production costs capitalized	843,523	542,060
Change in fair value less costs to sell due to biological transformation	1,125,162	1,999,417
Transferred to inventory upon harvest	(2,139,676)	(2,445,344)
End of year	\$ 455,637	\$ 626,628

The fair value was determined using an expected cash flow model which assumes the biological assets will grow to maturity, be harvested and converted into finished goods inventory, and be sold in the retail cannabis market. The significant assumptions used in determining the fair value of cannabis plants include:

Assumption	December 31, 2018	December 31, 2017
Estimated sales price per gram	\$ 2.25	\$ 2.55
Weighted average stage of growth	68%	68%
Expected yields by plant (in grams)	105	105
Wastage	3% to 10%	3% to 10%
Post-harvest costs per gram	\$ 0.15	\$ 0.15

Biological assets are measured at fair value less costs to sell until harvest. As at December 31, 2018 and 2017, the carrying value of biological assets consisted entirely of live cannabis plants. The Company values cannabis plants at cost from the date of initial clipping from mother plants until the end of the second week of its growing cycle. Measurement of the biological asset at fair value less costs to sell and costs to complete begins at the third week until harvest. On average, the grow cycle is approximately 20 weeks.

The Company accretes fair value on a straight-line basis according to stage of growth. As a result, a cannabis plant that is 50% through its 20-week growth cycle would be ascribed approximately 50% of its harvest date expected fair value (subject to wastage adjustments).

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. These estimates are subject to volatility in market prices and several uncontrollable factors, which will be reflected in the gain or loss on biological assets in future periods.

Increases in cost required up to the point of harvest, harvesting costs and selling costs will decrease the fair value of biological assets, while increases in sales price and expected yield for the cannabis plant will increase the fair value of biological assets. A 10% change in each of the significant assumptions as at December 31, 2018 would not result in a material change to the fair value of biological assets.

New Leaf Enterprises, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in United States Dollars)

5. INVENTORY

Inventory is comprised of:

	December 31, 2018	December 31, 2017
Harvested cannabis and trim	\$ 128,267	\$ 336,894
Finished goods	25,795	28,932
Supplies and consumables	91,839	91,945
	\$ 245,901	\$ 457,771

6. PROPERTY AND EQUIPMENT

	Office equipment	Vehicles under lease	Production equipment	Leasehold improvements	Total
Balance as at December 31, 2016	\$ 41,033	\$ 89,187	\$ 690,131	\$ 997,400	\$ 1,817,751
Additions	575	5,824	5,469	-	11,868
Balance as at December 31, 2017	41,608	95,011	695,600	997,400	1,829,619
Additions	1,948	-	1,599	705	4,252
Balance as at December 31, 2018	\$ 43,556	\$ 95,011	\$ 697,199	\$ 998,105	\$ 1,833,871
Depreciation					
Balance as at December 31, 2016	\$ (18,367)	\$ (27,465)	\$ (97,518)	\$ (875,824)	\$ (1,019,174)
Additions	(8,153)	(17,983)	(48,362)	(81,051)	(155,549)
Balance as at December 31, 2017	(26,520)	(45,448)	(145,880)	(956,875)	(1,174,723)
Additions	(8,012)	(18,420)	(48,434)	(40,710)	(115,576)
Balance as at December 31, 2018	\$ (34,532)	\$ (63,868)	\$ (194,314)	\$ (997,585)	\$ (1,290,299)
Net book value					
As at December 31, 2017	\$ 15,088	\$ 49,563	\$ 549,720	\$ 40,525	654,896
As at December 31, 2018	9,024	31,143	502,885	520	543,572

During the year ended December 31, 2018, the Company charged \$115,576 (December 31, 2017 – \$155,549) in depreciation expense of which \$11,983 (December 31, 2017 – \$21,160) was charged to the statement of loss and comprehensive loss and \$103,593 (December 31, 2017 – \$134,389) was capitalized as inventory.

New Leaf Enterprises, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in United States Dollars)

7. INTANGIBLE ASSET

Balance as at December 31, 2017 and 2016	\$	-
Additions		199,014
Less: Amortization		(13,268)
Balance as at December 31, 2018	\$	185,746

On April 17, 2018, the Company issued a 2-month 12% promissory note with a face value of \$200,000 to the President of the Company for an entire right, title and interest to use the brand name of "Dama" on the Company's products (note 8).

During the year ended December 31, 2018, the Company charged \$13,268 (December 31, 2017 – \$nil) in amortization expense which was capitalized as inventory.

8. DUE TO RELATED PARTIES

	December 31, 2018		December 31, 2017	
Beginning of year	\$	1,000,387	\$	801,855
Addition		199,014		300,537
Payments		(12,081)		(211,578)
Accretion of interest		178,618		150,826
Gain on advances		(67,089)		(41,253)
End of year	\$	1,298,849	\$	1,000,387

Due to related parties consists of advances and loans from the Company's shareholders. As at December 31, 2018, the balances due to related parties are due on demand, unsecured and bearing interest rates of 0% - 12%.

On April 17, 2018, the Company issued a 2-month 12% promissory note with a face value of \$200,000 to the President of the Company for an entire right, title and interest to use the brand name of "Dama" on the Company's products. The promissory note is considered below market-rate notes; for accounting purposes, the Company calculated the fair value of the promissory note at the date of issuance by using the risk-adjusted discount rate of 15%, and therefore the differences of \$986 has been recorded as a reduction of the carrying value of the intangible asset.

During the year ended December 31, 2017, the Company's members advanced \$325,000 with interest rates ranging from 0% to 10%. The initial term of the loans ranged from 3 months to 1 year. The interest rate of the advances are considered below market-rate; for accounting purposes, the Company calculated the fair value of the promissory note at the date of issuance by using the risk-adjusted discount rate of 15%, and therefore the differences of \$24,463 had been recorded as a contribution from members.

During the year ended December 31, 2018, the Company recognized a gain on advances of \$67,089 (December 31, 2017 – \$41,253) relating to the differences between the forgone market rate of interest and the below market rate of the loans and recorded this gain as a contribution from members.

During the year ended December 31, 2018, accretion expense of \$178,618 was charged to the statement of loss and comprehensive loss with a corresponding increase in the carrying value of the liability (December 31, 2017 – \$150,826).

New Leaf Enterprises, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in United States Dollars)

8. DUE TO RELATED PARTIES (CONTINUED)

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined its key management personnel to be founders of the Company.

During the years ended December 31, 2018 and 2017, the short-term benefits incurred for the key management personnel were \$240,000 for each year.

9. LEASES

	December 31, 2018	December 31, 2017
Beginning of year	\$ 54,874	\$ 64,453
Add: Addition	-	5,828
Add: Accretion of interest	3,119	3,903
Less: Payments	(20,566)	(19,310)
End of year	\$ 37,427	\$ 54,874

The Company leases property and equipment under capital leases expiring at various dates to 2021. As at December 31, 2018 and 2017, future minimum lease payments under capital leases are as follows:

	December 31, 2018	December 31, 2017
Minimum lease payments for each fiscal year:		
2018	\$ -	\$ 20,566
2019	20,566	20,566
2020	17,641	17,641
2021	1,855	1,855
	\$ 40,062	\$ 60,628
Amount representing interest	(2,635)	(5,754)
	\$ 37,427	\$ 54,874
Current	\$ 18,639	\$ 17,446
Long-term	18,788	37,428

During the years ended December 31, 2018, interest expense of \$3,119 was charged to the statement of loss and comprehensive loss (December 31, 2017 – \$3,903).

New Leaf Enterprises, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in United States Dollars)

10.SHARE CAPITAL

Authorized share capital

The Company's authorized share capital consists of 20,000 common shares issued without par value.

Issued share capital

At December 31, 2018 and 2017, the Company had 20,000 common shares issued and outstanding with a value of \$552,009.

During the year ended December 31, 2018 and 2017, no share capital transactions occurred.

11.SUPPLEMENTAL CASH FLOW

	Note	December 31, 2018	December 31, 2017
SUPPLEMENTAL CASH FLOW			
Issuance of loan payable for acquisition of other assets	7 & 8	\$ 199,014	\$ -
Reclassification of the current portion of lease obligations	9	1,193	17,446
Gain on loan payable / shareholders' contribution	8	67,089	65,716
Purchase of equipment funded by obligation under lease		-	5,828
		\$ 267,296	\$ 88,990

12.COMMITMENT

Lease commitment

During 2013, the Company entered into 5-year lease agreement for an operating facility. During 2018, the Company extended the lease to May 2023, with an option to extend for an additional five years. Monthly base rent during the extended lease term is \$12,000, plus maintenance. The monthly base rent under the five-year option period, if exercised, will be \$13,000.

Future required minimum lease payments on the facility are as follows:

Year		
2019	\$	144,000
2020		144,000
2021		144,000
2022		144,000
2023 and thereafter		840,000

New Leaf Enterprises, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in United States Dollars)

12.COMMITMENT (CONTINUED)

During 2013, the Company entered into 5-year lease agreement for an operating facility. During 2018, the Company extended the lease term to May 2023, with an option to extend for an additional five years. Monthly base rent during the extended lease term ranges from \$21,271 to \$25,855, plus maintenance. The monthly base rent under the five-year option period, if exercised, ranges from \$27,148 to \$33,000.

Future required minimum lease payments on the facility are as follows:

<u>Year</u>		
2019	\$	262,701
2020		275,836
2021		289,628
2022		304,110
2023 and thereafter		1,929,412

Legal contingencies

The Company from time to time is involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial condition or future results of operations of the Company.

13. SEGMENTED INFORMATION

The Company operates in one reportable segment focusing on the cultivation, production and sale of cannabis products. All of the Company's assets are located in the US.

14. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of Members' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new units, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year ended December 31, 2018 and 2017.

New Leaf Enterprises, Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017
(Expressed in United States Dollars)

15. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, accounts receivable and advances, deposits, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the relatively short period to maturity of those financial instruments. The fair value of lease obligations approximates fair value as it is discounted using a market rate of interest.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 Unadjusted quoted prices 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 that are not based on observable market data.

As at December 31, 2018 and 2017, the financial instrument recorded at fair value on the statement of financial position is cash which is measured using Level 1 of the fair value hierarchy.

Financial risk management

- **Credit risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable financial institutions in United States, and in safes, from which management believes the risk of loss is remote. Accounts receivable include trade receivables which the Company feels there is minimal risk of non-collection. The Company does not have significant credit risk with respect to customers. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company has been granted a license pursuant to the laws of the State of Washington with respect to cultivating cannabis. Presently, this industry is illegal under United States federal law. The Company has, and intends, to adhere strictly to the state statutes in its operations.

- **Liquidity risk**

The Company manages liquidity risk by maintaining adequate cash balances to meet short and long-term business requirements.

As at December 31, 2018, all of the Company's other financial liabilities except for lease obligations have maturities less than one year. As at December 31, 2018, the Company had cash of \$22,876 in order to meet short-term operating needs.

- **Foreign currency risk**

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in United States dollar. As at December 31, 2018, the Company is not exposed to currency risk as all transactions and balances are denominated in United States dollar.

15. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

- **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 holds cash in accounts with variable interest rates, and currently does not carry variable interest-bearing debt. It is management's opinion that the Company is not exposed to significant interest rate risk.

16. INCOME TAXES

The Company is a S-Corporation company which is a partnership-basis taxpayer for U.S. federal and Washington state income tax purposes. As such, any taxes on income are passed through to the Company's shareholders and included in their tax returns and are not recognized or payable by the Company.

17. SUBSEQUENT EVENTS

Subsequent to December 31, 2018:

- The Company entered into various transaction agreements ("Agreements") with New Leaf USA, Inc. and its wholly owned subsidiaries (collectively "New Leaf USA"). Pursuant to the Agreements, the Company:
 - sold all the equipment to New Leaf Equipment, LLC, a wholly-owned subsidiary of New Leaf USA, Inc., effective October 1, 2019 in exchange for a promissory note in the amount of US\$769,871,
 - sold the intellectual property to New Leaf IP, LLC, a wholly-owned subsidiary of New Leaf USA, Inc., effective October 1, 2019 in exchange for a promissory note in the amount of US\$1,300,000, and
 - transferred, in August 2019, the lease of the approximately 30,000 square foot integrated cultivation facility located at 460 and 470 South Kenyon Street, Seattle, Washington which is currently leased by the Company to New Leaf Real Estate, LLC, a wholly-owned subsidiary of New Leaf USA, Inc.

Commencing October 1, 2019, New Leaf USA:

- leases the equipment to the Company in exchange for a monthly fee of US\$6,000.
 - leases the intellectual property to the Company in exchange for annual exclusivity fees of US\$100,000 and the greater of US\$1.07 per each unit sold and quarterly license fee of US\$150,000.
 - leases the 30,000 square foot facility to the Company in exchange for monthly fees of US \$36,860 (which includes the base rent and payment of property tax amounts pursuant to the terms of the subleases).
 - provides the services, which include staffing and human resources, bookkeeping and payroll, advertising and marketing, IT, and other consulting and advisory services, to the Company in exchange for a monthly fee of US\$251,000 for the services provided.
- The Company received a Notice of Federal Tax Lien from the Internal Revenue Service relating to the December 31, 2018 tax filing period. The Company has accrued the underlying liability in these financial statements. The Federal Tax lien applies to all property owned by the Company.



New Leaf Enterprises, Inc.

Management's Discussion and Analysis

December 31, 2018

(Expressed in United States Dollars)

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of New Leaf Enterprises, Inc. (the "Company") provides an analysis of the Company's results of operations and financial condition for the year ended December 31, 2018. This MD&A supplements the annual audited financial statements of the Company and the notes thereto for the year ended December 31, 2018, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the annual audited financial statements for the year ended December 31, 2018, prepared in accordance with IFRS.

This MD&A is prepared as of **MMMM DD**, 2019. All amounts presented in this MD&A are in United States dollars unless otherwise indicated.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain "forward-looking statements" which may include, but are not limited to, statements with respect to the future financial or operating performance of the Company. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variation (including negative variations) of such words and phrases, or statements that certain actions, events, or results "may", "could", "would", "might", or "will" be taken, occur or to achieve. Statements such as the Company's ability to achieve profitability without further equity financing or at all are all forward looking statements. Forward-looking statements are based on the reasonable assumptions, estimates, internal and external analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled "Risk Factors". Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of the MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

OVERVIEW

The Company was incorporated on March 15, 2013 pursuant to the provisions of the Washington Business Corporations Act. The Company's registered office is located at 470 South Kenyon St., Seattle WA 98108 United States.

The Company is a US cannabis company that holds a Tier 3 Producer/Processor license in Washington State. The Company focuses on developing and implementing quality and safety methodologies for cannabis production, processing and extractions. The Company provides safe cannabis products and derivatives in Washington.

While some states in the United States have authorized the use and sale of marijuana, it remains illegal under federal law and the approach to enforcement of U.S. federal laws against marijuana is subject to change. Because the Company engages in marijuana-related activities in the United States, it assumes certain risks due to conflicting state

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018

and federal laws. The federal law relating to marijuana could be enforced at any time and this would put the Company at risk of being prosecuted and having its assets seized.

Given the current illegality of marijuana under United States federal law, the Company's ability to access both public and private capital may be hindered by the fact that certain financial institutions are regulated by the United States federal government and are thus prohibited from providing financing to companies engaged in marijuana related activities. The Company's ability to access public capital markets in the United States is directly hindered as a result. The Company may, however, be able to access public and private capital markets in Canada in order to support continuing operations.

OPERATIONS IN THE UNITED STATES

The Company's facility encompasses 30,000 square feet of space that houses an indoor cannabis cultivation and processing facility, an extraction lab, packaging, sales, distribution, and research. Currently, the Company has converted 13,000 square feet of space into a cultivation facility optimized for production of high-grade cannabis flower and extraction material with maximum Tetrahydrocannabinol ("THC") and terpene levels. The Company's extraction lab uses an ethanol extraction process for efficient production of cannabis oil and distillate for use in its value-added products and for sale to other licensed Processors in Washington state. The Company's products include cannabis flower, vape cartridges, oil, and edibles. In August 2019, the Company transferred the lease of the facility to New Leaf Real Estate, LLC, a wholly-owned subsidiary of New Leaf USA, Inc. Commencing October 1, 2019, New Leaf Real Estate, LLC subleased the 30,000 square foot facility to the Company in exchange for a monthly fee of US\$36,860.

As a Washington-based tier 3 licensed producer and processor of cannabis products, the facility supports cultivation, processing, extraction and innovation. The Company employs new methodologies such as LED lighting, automated irrigation and climate control, and integrated software that manages its manufacturing, inventory, sales, and distribution processes. The Company also has a contract to evaluate and implement EnWave's REV technology for drying and processing to manage efficient and predictable dry cycles. Additionally, the Company has voluntarily worked with local laboratories to create rigorous quality control standards.

In addition to its own cultivation capacity, the company purchases, packages, and distributes flower produced by carefully selected external outdoor and greenhouse cultivators. The Company has established relationships with several licensed outdoor and greenhouse Producers to secure a consistent supply of high-quality material.

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018

SELECTED INFORMATION

	For the year ended		
	December 31, 2018	December 31, 2017	December 31, 2016
	\$	\$	\$
Operating expenses	887,012	917,513	979,811
Net income (loss) for the period	(1,195,485)	(615,938)	131,757
Comprehensive loss for the period	(1,195,485)	(615,938)	131,757
Basic and diluted loss per share:			
- net loss	(59.77)	(30.80)	6.59

	As at	December 31, 2018	December 31, 2017	December 31, 2016
		\$	\$	\$
Working capital deficiency		(2,237,285)	(1,015,827)	(582,261)
Total assets		1,501,961	1,823,745	1,972,304
Total liabilities		3,028,716	2,222,104	1,820,441
Share capital		552,009	552,009	552,009
Deficit		(2,078,764)	(950,368)	(400,146)

RESULTS OF OPERATIONS

	Three months ended			
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
	\$	\$	\$	\$
Interest income	-	-	-	-
Net income (loss)	(642,621)	112,085	(186,048)	(478,901)
Comprehensive income (loss)	(642,621)	112,085	(186,048)	(478,901)
Basic and diluted loss per share	(32.12)	5.60	(9.30)	(23.95)

	Three months ended			
	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
	\$	\$	\$	\$
Interest income	-	-	-	-
Net income (loss)	(138,210)	(50,544)	(122,813)	(304,371)
Comprehensive income (loss)	(138,210)	(50,544)	(122,813)	(304,371)
Basic and diluted loss per share	(6.91)	(2.53)	(6.14)	(15.22)

Year ended December 31, 2018 compared to Year ended December 31, 2017

The Company incurred a net loss of \$1,195,485 for the year ended December 31, 2018, representing an increase of \$579,547 when compared to the net loss of \$615,938 for the year ended December 31, 2017.

Revenue and Gross Margin

Revenue, net of return and discounts and cost of goods sold including changes in fair value of inventory sold and fair value adjustment on growth of biological assets during the year ended December 31, 2018 were \$2,578,783 and

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018

\$2,705,519, respectively (December 31, 2017 – \$2,344,231 and \$1,887,927, respectively) resulting in a gross loss of \$126,736 (December 31, 2017 – gross margin of \$456,304).

During the year ended December 31, 2018:

- Inventory expensed to cost of sales was \$2,323,612 which includes production costs as well as other direct costs (December 31, 2017 – \$1,702,700).
- Changes in fair value of inventory sold was \$1,507,069 which represented the value of biological assets grown and sold during the year (December 31, 2017 – \$2,184,644).
- Fair value adjustment on growth of biological assets was \$1,125,162 which represents the fair value of biological assets at their current stage of growth as at December 31, 2018 (December 31, 2017 – \$1,999,417).

Significant Operating Expenses

Wages and benefits increased by \$72,725 to \$763,361 for the year ended December 31, 2018 compared to \$690,636 for the year ended December 31, 2017. The increase was primarily due to the recognition of the payroll tax liability assessed by the tax authority.

Rent expense decreased by \$22,040 to \$37,529 for the year ended December 31, 2018 compared to \$59,569 for the year ended December 31, 2017. The Company allocates the monthly rent expense to different departments. The decrease was mainly due to the increase in production of inventory as any portion related to production is capitalized as inventory and any portion related to sales, marketing and general and administrative expenses is recognized in the statement of loss and comprehensive loss.

Other than wages and benefits and rent expense, the change in other operating expenses is mainly due to the change in business activities.

Other Items

During the year ended December 31, 2018, the Company charged accretion expense of \$181,737 (December 31, 2017 – \$154,729) of which \$178,618 and \$3,119 related to the amounts due to the related parties and lease obligations, respectively (December 31, 2017 – \$150,826 and \$3,903, respectively).

LIQUIDITY AND CAPITAL RESOURCES

The Company's objectives in managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operating, acquisition, organic growth and contractual obligations.

As December 31, 2018, the Company had working capital deficiency of \$2,237,285 (December 31, 2017 – \$1,015,827 including cash of \$22,876 (December 31, 2017 – \$10,151) and amounts due to related parties of \$1,298,849 (December 31, 2017 – \$1,000,387).

The Company's ability to generate sufficient amounts of cash in the short term to fund its ongoing development activities currently depends to a significant degree on debt and equity financings as the Company's operating activities currently generate less revenue than the anticipated need. The Company is planning to increase its revenue-generating activities in 2019 from the current facility. The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows and / or obtain additional financing to meet its obligations as they come due. If the Company was to become unable to continue as a going concern, then significant adjustments would be required to the carrying value of assets and liabilities, and to the balance sheet classifications

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018

currently used. There is no guarantee that the Company will be able to secure additional financings in the future at terms that are favorable.

The Company has no lines of credit or other sources of financing which have been arranged or are being negotiated. It also has no investments in asset-backed commercial paper.

No commitments for material capital expenditures exist for the Company at December 31, 2018.

OUTSTANDING SHARE DATA

The Company's authorized share capital consists of 20,000 common shares issued without par value.

At December 31, 2018 and the date of this MDA, the Company had 20,000 common shares common shares issued and outstanding with a value of \$552,009.

During the year ended December 31, 2018, no share capital transactions occurred.

COMMITMENTS AND CONTINGENCIES

Lease commitment

During 2013, the Company entered into 5-year lease agreement for an operating facility. During 2018, the Company extended the lease to May 2023, with an option to extend for an additional five years. Monthly base rent during the extended lease term is \$12,000, plus maintenance. The monthly base rent under the five-year option period, if exercised, will be \$13,000.

Future required minimum lease payments on the facility are as follows:

Year		
2019	\$	144,000
2020		144,000
2021		144,000
2022		144,000
2023 and thereafter		840,000

During 2013, the Company entered into 5-year lease agreement for an operating facility. During 2018, the Company extended the lease term to May 2023, with an option to extend for an additional five years. Monthly base rent during the extended lease term ranges from \$21,271 to \$25,855, plus maintenance. The monthly base rent under the five-year option period, if exercised, ranges from \$27,148 to \$33,000.

Future required minimum lease payments on the facility are as follows:

Year		
2019	\$	262,701
2020		275,836
2021		289,628
2022		304,110
2023 and thereafter		1,929,412

New Leaf Enterprises, Inc.
Management’s Discussion and Analysis
For the year ended December 31, 2018

In August 2019, the Company transferred the lease of the facility to New Leaf Real Estate, LLC, wholly-owned subsidiary of New Leaf USA, Inc. Commencing October 1, 2019, New Leaf Real Estate, LLC subleased the 30,000 square foot facility to the Company in exchange for a monthly fee of US\$36,860.

Legal contingencies

The Company from time to time is involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial condition or future results of operations of the Company.

FINANCIAL INSTRUMENTS

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management’s assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company’s operations. These financial risks and the Company’s exposure to these risks are provided in various tables in note 15 of our audited financial statements for the year ended December 31, 2018. For a discussion on the significant assumptions made in determining the fair value of financial instruments, refer also to note 2 of the audited financial statements for the year ended December 31, 2018.

RELATED PARTY TRANSACTIONS

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined its key management personnel to be founders of the Company.

- Dax Colwell, Founder
- Boris Gorodnitsky, Founder

During the years ended December 31, 2018 and 2017, the short-term benefits incurred for the key management personnel were \$240,000 for each year.

Other related party transactions

	December 31, 2018	
Beginning of year	\$	1,000,387
Addition		199,014
Payments		(12,081)
Accretion of interest		178,618
Gain on modification of advances		(67,089)
End of year	\$	1,298,849

On April 17, 2018, the Company issued a 2-month 12% promissory note with a face value of \$200,000 to the President of the Company for an entire right, title and interest to use the brand name of “Dama” on the Company’s products. The promissory notes are considered below market-rate notes; for accounting purposes, the Company calculated the fair value of the promissory note at the date of issuance by using the risk-adjusted discount rate of 15%, and therefore the differences of \$986 has been recorded as a reduction of the carrying value of the intangible asset.

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018

During the year ended December 31, 2018, the Company recognized a gain on advances of \$67,089 relating to the differences between the forgone market rate of interest and the below market rate of the loans and recorded this gain as a contribution from members.

During the years ended December 31, 2018, accretion expense of \$178,618 was charged to the statement of loss and comprehensive loss with a corresponding increase in the carrying value of the liability.

CRITICAL ESTIMATES

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable. Refer to note 2 of our annual audited financial statements for the year ended December 31, 2018 for a more detailed discussion of the critical accounting estimates and judgments.

ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company:

- **IFRS 16 – Leases:** New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company will apply this new standard retrospectively with the cumulative effect of initially applying the standard recognized at the date of January 1, 2019. On adoption, the Company will recognize the ROU assets and lease liabilities of \$2,219,207 and \$2,325,945, respectively. The difference of \$106,738 will be charged to the opening deficit.
- **IFRIC 23 – Uncertainty over Income Tax Treatments:** This standard was issued by the IASB in June 2017 and specifies the interpretation to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company completed an assessment and concluded that there will be no significant change to its financial statements from adopting this new standard.

SUBSEQUENT EVENTS

Subsequent to December 31, 2018:

- The Company entered into various transaction agreements ("Agreements") with New Leaf USA, Inc. and its wholly owned subsidiaries (collectively "New Leaf USA"). Pursuant to the Agreements, the Company:
 - sold all the equipment to New Leaf Equipment, LLC, a wholly-owned subsidiary of New Leaf USA, Inc., effective October 1, 2019 in exchange for a promissory note in the amount of US\$769,871,
 - sold the intellectual property to New Leaf IP, LLC, a wholly-owned subsidiary of New Leaf USA, Inc., effective October 1, 2019 in exchange for a promissory note in the amount of US\$1,300,000, and

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018

- transferred, in August 2019, the lease of the approximately 30,000 square foot integrated cultivation facility located at 460 and 470 South Kenyon Street, Seattle, Washington which is currently leased by the Company to New Leaf Real Estate, LLC, a wholly-owned subsidiary of New Leaf USA, Inc.

Commencing October 1, 2019, New Leaf USA:

- leases the equipment to the Company in exchange for a monthly fee of US\$6,000.
 - leases the intellectual property to the Company in exchange for annual exclusivity fees of US\$100,000 and the greater of US\$1.07 per each unit sold and quarterly license fee of US\$150,000.
 - leases the 30,000 square foot facility to the Company in exchange for monthly fees of US\$36,860 (which includes the base rent and payment of property tax amounts pursuant to the terms of the subleases).
 - provides the services, which include staffing and human resources, bookkeeping and payroll, advertising and marketing, IT, and other consulting and advisory services, to the Company in exchange for a monthly fee of US\$251,000 for the services provided.
- The Company received a Notice of Federal Tax Lien from the Internal Revenue Service relating to the December 31, 2018 tax filing period. The Company has accrued the underlying liability in these financial statements. The Federal Tax lien applies to all property owned by the Company.

OFF-BALANCE SHEET FINANCING ARRANGEMENTS

As of December 31, 2018, and the date of this MD&A, the Company did not have any off-balance sheet financing arrangements.

PROPOSED TRANSACTIONS

No transactions are proposed.

RISK FACTORS

Risks Related to the Business of the Company

Risk Relating to the United States Regulatory System

The activities of the Company are subject to regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure or maintain all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Company incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018

material adverse effect on the business, results of operations and financial condition of the Company. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

This MD&A involves an entity that is expected to continue to derive a significant portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. Currently, the Company is directly engaged in the manufacture and possession of cannabis in the recreational cannabis marketplace in the United States. The enforcement of relevant laws is a significant risk.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Changes in Laws, Regulations and Guidelines

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. To its knowledge, the Company is currently in compliance with such laws in all material respects. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

While the impact of the changes are uncertain and are highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on the Company's operations that is materially different than the effect on similar-sized companies in the same business as the Company.

Local, state and federal laws and regulations governing marijuana for medicinal and recreational purposes are broad in scope and are subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's business.

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018

Risks associated with the change in U.S. Administrations

As a result of the 2016 U.S. presidential election and the related change in political agenda, there continues to be uncertainty as to the position the United States will take with respect to world affairs and events. This uncertainty may include issues such as enforcement of the U.S. federal laws. Implementation by the U.S. of new legislative or regulatory regimes could impose additional costs on the Company, decrease U.S. demand for the Company's services or otherwise negatively impact the Company, which may have a material adverse effect on the Company's business, financial condition and operations.

Risks Concerning Banking

The U.S. federal prohibitions on the sale of marijuana may result in the Company and its partners being restricted from accessing the U.S. banking system and they may be unable to deposit funds in federally insured and licensed banking institutions. Banking restrictions could be imposed due to the Company's banking institutions not accepting payments and deposits. The Company is at risk that any bank accounts it has could be closed at any time. Such risks increase costs to the Company. Additionally, similar risks are associated with large amounts of cash at its business locations. These locations require heavy security with respect to holding and transport of cash.

The guidance provided in the FinCEN Memo may change depending on the position of the U.S. government administration at any given time and is subject to revision or retraction in the future, which may restrict the Company's access to banking services.

In the event financial service providers do not accept accounts or transactions related to the marijuana industry, it is possible that the Company may seek alternative payment solutions, including but not limited to crypto currencies such as Bitcoin. There are risks inherent in crypto currencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in crypto currency the Company would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

Product Liability, Operational Risk

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of marijuana and CBD infused products based on the Company's recipes and brands involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company potential products.

Should the Federal government legalize marijuana for medical or recreational use nation-wide, it is possible that the U.S. Food and Drug Administration ("FDA") would seek to regulate the products under the Food, Drug and Cosmetics Act of 1938. Additionally, the Washington State has recently stated that it will only approve certain food related

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018

products for sale once approved by the FDA. The FDA may issue rules and regulations including certified good manufacturing practices related to the growth, cultivation, harvesting and processing of medical and adult use marijuana and CBD infused products. Clinical trials may be needed to verify efficacy and safety of the medical and adult use marijuana. It is also possible that the FDA would require that facilities where medical and adult use marijuana is cultivated be registered with the applicable government agencies and comply with certain federal regulations. In the event any of these regulations are imposed, The Company cannot foresee the impact on its operations and economics. If the Company is unable to comply with the regulations and or registration as prescribed by the FDA or another federal agency, the Company may be unable to continue to operate in its current form or at all.

Product Recall Risks

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products developed by the Company and sold by it or by licensed producers are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense relating to the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of revenue due to a loss of and may not be able to replace that revenue at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has established procedures to test finished products (in connection with Washington State requirements), there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by the regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Company's operations can also be substantially affected by adverse publicity resulting from quality, illness, injury, health concerns, public opinion, or operating issues. The Company will attempt to manage these factors, but the occurrence of any one or more of these factors could materially and adversely affect the Company's business, financial condition and results of operations.

Risks Inherent in an Agricultural Business

The Company's business will involve the growing of marijuana, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that its products will be grown indoors under climate-controlled conditions, carefully monitored by trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Vulnerability to Rising Energy Costs

Marijuana growing operations consume considerable energy, making such operations vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Transportation Disruptions

The Company will depend on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of the

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018

Company. Rising costs associated with the courier services used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably.

Unfavorable Publicity or Consumer Perception

The Company believes the marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana produced. Consumer perception of marijuana products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for medical marijuana products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Company's products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Uninsurable Risks

The medical and adult use marijuana business is subject to several risks that could result in damage to or destruction of properties or facilities or cause personal injury or death, environmental damage, delays in production and monetary losses and possible legal liability. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Threats from illegal drug dealers

Currently, there are many drug dealers and cartels that cultivate, buy, sell and trade marijuana in the United States, Canada and worldwide. Many of these dealers and cartels are violent and dangerous, well financed and well organized. It is possible that these dealers and cartels could feel threatened by legalized marijuana businesses such as those with whom the Company does business and could take action against or threaten the Company, its principals, employees and/or agents and this could negatively impact the Company and its business.

The Company may not be able to accurately predict its future capital needs and it may not be able to secure additional financing

The Company may need to raise significant additional funds in order to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing in order to meet its plans for expansion. The Company cannot be sure that this additional financing, if needed, will be available on acceptable terms, or at all. Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018

of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Factors which may prevent realization of growth targets

The Company is currently in the early growth stage. There is a risk that the additional resources will be needed and milestones will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following as it relates to the Company:

- maintaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labor costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labor disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

Competitive Risks

The marijuana industry is highly competitive. The Company will compete with numerous other businesses in the medical and adult use marijuana industry, many of which possess greater financial and marketing resources and other resources than the Company. The marijuana business is often affected by changes in consumer tastes and discretionary spending patterns, national and regional economic conditions, demographic trends, consumer confidence in the economy, traffic patterns, local competitive factors, cost and availability of raw material and labor, and governmental regulations. Any change in these factors could materially and adversely affect the Company's operations.

Due to the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of legal users of marijuana in its target jurisdictions increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations the Company.

Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018

and safety laws and regulations may result in additional costs for corrective measures, penalties or restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Difficulties in Forecasting

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the marijuana industry in the U.S. A failure in the demand for its products to materialize as a result of competition, technological change, market acceptance or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Enforcement of Legal Rights

In the event of a dispute arising from the Company's U.S. operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Washington. Similarly, to the extent that the Company's assets are located outside of Canada, investors may have difficulty collecting from the Company any judgments obtained in the Canadian courts and predicated on the civil liability provisions of securities provisions. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

Global financial and economic conditions

Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain debt and equity financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial condition could be adversely impacted.

Success of Quality Control Systems

The quality and safety of the Company's products are critical to the success of its business and operations. As such, it is imperative that the Company's (and its service provider's) quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although the Company strives to ensure that all of its service providers have implemented and adhere to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on the Company's business and operating results.

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018

Inability to Renew Material Leases

The Company may be unable to renew or maintain its leases (commercial or real property) on commercially acceptable terms or at all. An inability to renew its leases, or a renewal of its leases with a rental rate higher than the prevailing rate under the applicable lease prior to expiration, may have an adverse impact on the Company's operations, including disruption of its operations or an increase in its cost of operations. In addition, in the event of non-renewal of any of the Company's leases, the Company may be unable to locate suitable replacement properties for its facilities or it may experience delays in relocation that could lead to a disruption in its operations. Any disruption in the Company's operations could have an adverse effect on its financial condition and results of operations.

Obtaining Insurance

Due to the Company's involvement in the cannabis industry, it may have a difficult time obtaining the various insurances that are desired to operate its business, which may expose the Company to additional risk and financial liability. Insurance that is otherwise readily available, such as general liability, and directors and officer's insurance, may be more difficult to find, and more expensive, because of the regulatory regime applicable to the industry. There are no guarantees that the Company will be able to find such insurance coverage in the future, or that the cost will be affordable. If the Company is forced to go without such insurance coverage, it may prevent it from entering into certain business sectors, may inhibit growth, and may expose the Company to additional risk and financial liabilities.

Inability to Protect Intellectual Property

The Company's success is heavily dependent upon its intangible property and technology. The Company relies upon copyrights, patents, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information that is considered important to the development of the business. The Company relies on various methods to protect its proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. There can be no assurances that the steps taken by the Company to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of the Company's intangible property, technology or processes. It is likely that other companies can duplicate a production process similar to the Company's. Other companies may also be able to materially duplicate the Company's proprietary plant strains. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, the Company may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

The Company's ability to successfully implement its business plan depends in part on its ability to maintain and build brand recognition using its trademarks, service marks, trade dress, domain names and other intellectual property rights, including the Company's names and logos. If the Company's efforts to protect its intellectual property are inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Company's business and might prevent its brands from achieving or maintaining market acceptance.

The Company may be unable to obtain registrations for its intellectual property rights for various reasons, including prior registrations of which it is not aware, or it may encounter claims from prior users of similar intellectual property in areas where it operates or intends to conduct operations. This could harm its image, brand or competitive position and cause the Company to incur significant penalties and costs.

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the year ended December 31, 2018

Reliance on Key Personnel

The nature of the business of the Company, the ability of the Company to continue its operations, in a large part, on the ability of the Company to attract and maintain qualified key management personnel. Competition for such personnel is intense, and there can be no assurance that the Company will be able to attract and retain such personnel. The development of the Company now and in the future, will depend on the efforts of key management figures, the loss of whom could have a material adverse effect on the Company. The Company does not currently maintain key-man life insurance on any of the key management employees.



New Leaf Enterprises, Inc.

Condensed Interim Financial Statements

For the nine months ended September 30, 2019

(Expressed in United States Dollars)

New Leaf Enterprises, Inc.
Condensed Interim Statements of Financial Position (unaudited)
(Expressed in United States Dollars)

	Note	September 30, 2019	December 31, 2018
ASSETS			
Current			
Cash		\$ 17,244	\$ 22,876
Accounts receivable and advances		18,246	21,257
Prepaid expenses		10,879	6,713
Deposits		20,259	20,259
Biological assets	4	427,248	455,637
Inventory	5	398,362	245,901
		892,238	772,643
Non-Current			
Property and equipment	6 and 8	2,591,888	543,572
Intangible asset	7 and 8	170,821	185,746
TOTAL ASSETS		\$ 3,654,947	\$ 1,501,961
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
LIABILITIES			
Current			
Accounts payable and accrued liabilities	8	\$ 1,839,957	\$ 1,692,440
Due to related parties	9	1,437,532	1,298,849
Current portion of long-term lease obligation	10	436,254	18,639
		3,713,743	3,009,928
Non-current			
Long-term lease obligation	10	1,865,212	18,788
TOTAL LIABILITIES		5,578,955	3,028,716
SHAREHOLDERS' DEFICIENCY			
Share capital	11	552,009	552,009
Deficit		(2,476,017)	(2,078,764)
		(1,924,008)	(1,526,755)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		\$ 3,654,947	\$ 1,501,961

Nature of operations and continuance of operations (note 1)
Commitments (note 13)
Segmented Information (note 14)
Subsequent Events (note 17)

Approved on behalf of the Board:

/s/ XXX

/s/ XXX

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

New Leaf Enterprises, Inc.
Condensed Interim Statements of Loss and Comprehensive Loss (unaudited)
(Expressed in United States Dollars)

	Note(s)	For the three months ended		For the nine months ended	
		September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Revenue		\$ 453,770	\$ 680,368	\$ 1,776,854	\$ 1,925,037
Cost of goods sold		(347,953)	(298,476)	(1,077,883)	(1,229,295)
Gross margin, excluding fair value items		105,817	381,892	698,971	695,742
Change in fair value of inventory sold		(335,898)	(387,329)	(972,686)	(1,517,270)
Fair value adjustment on growth of biological assets	4	345,385	371,047	869,220	1,053,042
Gross margin		115,304	365,610	595,505	231,514
Expenses					
Bad debt recovery		(729)	(780)	(3,178)	(1,601)
Consulting fees		287	1,474	3,034	20,248
Depreciation	6	552	616	1,658	11,281
General and administrative		26,133	34,854	105,224	173,758
Licenses and permits		1,253	924	8,972	10,445
Office equipment and supplies		1,329	2,789	6,295	6,697
Professional fees		40,001	2,956	80,877	11,549
Rent		-	9,378	-	28,134
Selling, marketing and promotion		361	187	2,368	1,043
Travel		476	3,011	2,004	5,130
Wages and benefits	9	104,923	150,384	330,580	384,667
		(174,586)	(205,793)	(537,834)	(651,351)
Other items					
Accretion of interest	9 and 10	\$ (137,156)	\$ (47,732)	\$ (410,738)	\$ (133,027)
		(137,156)	(47,732)	(410,738)	(133,027)
Total comprehensive income (loss) for the period		\$ (196,438)	\$ 112,085	\$ (353,067)	\$ (552,864)
Basic and diluted earnings (loss) per share for the period attributable to common shareholders		\$ (9.82)	\$ 5.60	\$ (17.65)	\$ (27.64)
Weighted average number of common shares outstanding - basic and diluted		20,000	20,000	20,000	20,000

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

New Leaf Enterprises, Inc.
Condensed Interim Statements of Changes in Shareholders' Deficiency (unaudited)
(Expressed in United States Dollars)

	Note	Share Capital		Deficit	Total
		Number of shares	Amount		
Balance at December 31, 2018		20,000	\$ 552,009	\$ (2,078,764)	\$ (1,526,755)
Balance at January 1, 2019, as previously reported		20,000	\$ 552,009	\$ (2,078,764)	\$ (1,526,755)
Impact of change in accounting policy	3	-	-	(106,738)	(106,738)
Restated balance as at January 1, 2019		20,000	\$ 552,009	\$ (2,185,502)	\$ (1,633,493)
Shareholders' contributions	9	-	-	62,552	62,552
Loss for the period		-	-	(353,067)	(353,067)
Balance at September 30, 2019		20,000	\$ 552,009	\$ (2,476,017)	\$ (1,924,008)
Balance at December 31, 2017		20,000	\$ 552,009	\$ (950,368)	\$ (398,359)
Shareholders' contributions	9	-	-	48,900	48,900
Loss for the period		-	-	(552,864)	(552,864)
Balance at September 30, 2018		20,000	\$ 552,009	\$ (1,454,332)	\$ (902,323)

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

New Leaf Enterprises, Inc.
Condensed Interim Statements of Cash Flows (unaudited)
(Expressed in United States Dollars)

	Note	September 30, 2019	September 30, 2018
Cash flow provided from (used by)			
OPERATING ACTIVITIES			
Net loss for the period		\$ (353,067)	\$ (552,864)
Adjustments for items not affecting cash:			
Fair value adjustment on growth of biological assets	4	(869,220)	(1,053,042)
Fair value adjustment on sale on inventory		972,686	1,517,270
Depreciation of property and equipment	6	172,286	96,849
Amortization of intangible asset	7	14,925	8,292
Accretion of interest of lease obligations	10	257,215	2,448
Accretion of interest of loan payable	9	153,523	130,579
Change in non-cash working capital			
Accounts receivable and advances		3,011	(644)
Prepaid expenses		(4,166)	(11,747)
Deposits		-	20,259
Biological assets		(670,091)	(632,518)
Inventories		442,553	132,145
Accounts payable and accrued liabilities	8	147,517	362,315
Cash flow from (used in) operating activities		267,172	19,342
INVESTING ACTIVITIES			
Purchase of property and equipment	6	(1,395)	(705)
Cash flow used investing activities		(1,395)	(705)
FINANCING ACTIVITIES			
Lease payments	10	(319,121)	(15,424)
Proceeds from loan payable	9	100,000	-
Repayment of loan payable	9	(52,288)	(9,081)
Cash flow from (used in) financing activities		(271,409)	(24,505)
Decrease in cash		\$ (5,632)	\$ (5,868)
Cash, beginning of period		22,876	10,151
Cash, end of period		\$ 17,244	\$ 4,283
Cash paid during the period for income taxes		\$ -	\$ -
Cash received during the period from interest		\$ -	\$ -

Supplemental cash inflow information (note 12)

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

Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in United States Dollars)

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

New Leaf Enterprises, Inc. (the “Company”) was incorporated on March 15, 2013 pursuant to the provisions of the Washington Business Corporations Act. The Company’s registered office is located at 470 South Kenyon St., Seattle WA 98108 United States.

The Company is a US cannabis company that holds a Tier 3 Producer/Processor license in Washington State. The Company focuses on developing and implementing quality and safety methodologies for cannabis production, processing and extractions.

While some states in the United States have authorized the use and sale of marijuana, it remains illegal under federal law and the approach to enforcement of U.S. federal laws against marijuana is subject to change. Because the Company engages in marijuana-related activities in the United States, it assumes certain risks due to conflicting state and federal laws. The federal law relating to marijuana could be enforced at any time and this would put the Company at risk of being prosecuted and having its assets seized.

Given the current illegality of marijuana under United States federal law, the Company’s ability to access both public and private capital may be hindered by the fact that certain financial institutions are regulated by the United States federal government and are thus prohibited from providing financing to companies engaged in marijuana related activities. The Company’s ability to access public capital markets in the United States is directly hindered as a result. The Company may, however, be able to access public and private capital markets in Canada in order to support continuing operations.

These unaudited condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. During the nine months ended September 30, 2019, the Company incurred a loss of \$353,067. The Company’s continuation as a going concern is dependent upon the successful results from its products and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to fund operating costs over the next twelve months with cash generated from sales and through further equity financings.

These unaudited condensed interim financial statements of the Company for the nine months ended September 30, 2019 were approved by the Board of Directors on **MMMM DD**, 2019.

New Leaf Enterprises, Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in United States Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION

Statement of compliance to International Financial Reporting Standards

These unaudited condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) and using the accounting policies, determination of significant estimates and judgements, and corresponding accounting treatment consistent with the Company’s 2018 annual audited financial statements, except for new standards adopted during the three and nine months ended September 30, 2019 as described below. These financial statements comply with International Accounting Standard 34, Interim Financial Reporting.

Basis of presentation

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2018. Certain amounts in prior periods have been reclassified to conform to the current period presentation.

3. NEW ACCOUNTING STANDARDS

Adoption of new and amended accounting standards

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on January 1, 2019.

The adoption of the following IFRS pronouncement will result in enhanced financial statement disclosures in the Company’s annual financial statements.

- **IFRS 16 – Leases**

The IASB issued IFRS 16, Leases (“IFRS 16”), which replaces IAS 17 Leases, and is effective for annual periods beginning on or after January 1, 2019. IFRS 16, a single recognition and measurement model applicable to lessees, requires recognition of lease assets and lease liabilities on the balance sheet. The standard eliminates the classification of leases as either operating leases or finance leases for lessees, essentially treating all leases as finance leases. Short-term leases and leases for low-value assets are exempt from recognition and will continue to be treated as operating leases. The accounting requirements for lessors is substantially unchanged and a lessor will continue to classify leases as either finance leases or operating leases.

The Company adopted IFRS 16 Leases, effective January 1, 2019, using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period comparative financial information as the cumulative effect is recognized as an adjustment to the opening deficit on the transition date and the standard is applied prospectively. Therefore, the comparative information in the Company’s condensed Interim statements of financial position, condensed interim statements of loss and comprehensive loss, condensed interim statements of changes in equity, and condensed interim statements of cash flows have not been restated.

New Leaf Enterprises, Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in United States Dollars)

3. NEW ACCOUNTING STANDARDS (CONTINUED)

Adoption of new and amended accounting standards (continued)

On adoption of IFRS 16, the Company elected to use the following practical expedients permitted by the standard:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Accounted for leases with a remaining term of less than 12 months as at January 1, 2019 as short-term leases;
- Used hindsight when determining the lease term where the contract contained options to extend or terminate the lease;
- Excluded initial direct costs from the measurement of the right-of-use (“ROU”) asset as at January 1, 2019; and
- Relied on the Company’s previous assessment of whether leases were onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before initial application as an alternative to performing an impairment review on the ROU assets. ROU assets have been adjusted by the amount of the onerous contracts provision recognized in the financial statements as at December 31, 2018.

The impacts of the adoption of IFRS 16, as at January 1, 2019, are as follows:

	Reported balance as at December 31, 2018	Office leases	Restated balance as at January 1, 2019
ASSETS			
Property and equipment	\$ 543,572	\$ 2,219,207	\$ 2,762,779
LIABILITIES			
Current portion of long-term lease obligation	(18,639)	(406,701)	(425,340)
Long-term lease obligation	(18,788)	(1,919,244)	(1,938,032)
SHAREHOLDERS' DEFICIENCY			
Deficit	2,078,764	106,738	2,185,502
	\$ 2,584,909	\$ -	\$ 2,584,909

The Company applied this new standard retrospectively with the cumulative effect of initially applying the standard recognized at the date of January 1, 2019. On adoption, the Company recognized the ROU assets and lease liabilities of \$2,219,207 and \$2,325,945, respectively. The difference of \$106,738 was charged to the opening deficit.

New Leaf Enterprises, Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in United States Dollars)

3. NEW ACCOUNTING STANDARDS (CONTINUED)

Adoption of new and amended accounting standards (continued)

Reconciliation of Commitments to Lease Liabilities

The following table provides a reconciliation of the commitments as at December 31, 2018 to the Company's lease liabilities as at January 1, 2019:

Operating lease commitments at December 31, 2018	\$ 1,897,553
Extension options reasonably certain to be exercised	2,580,134
Undiscounted operating lease payments at January 1, 2019	4,477,687
Effect of discounting using the incremental borrowing rate at January 1, 2019	(2,151,742)
Present value of the operating lease payments	2,325,945
Finance lease liabilities under IAS 17	37,427
Lease liabilities recognized at January 1, 2019	\$ 2,363,372

Significant Accounting Policies

Leases

The Company has applied IFRS 16 using the modified retrospective approach. As a result, the comparative information contained herein has been accounted for in accordance with the Company's previous accounting policies which can be found in the audited financial statements for the year ended December 31, 2018.

The following accounting policy is applicable as of January 1, 2019:

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration.

As Lessee

Leases are recognized as a lease liability and a corresponding ROU asset at the date on which the leased asset is available for use by the Company. Liabilities and assets arising from a lease are initially measured on a present value basis. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate when the rate implicit in the lease is not readily available. The corresponding right-of-use assets are measured at the amount equal to the lease liability.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company.

The ROU asset, initially measured at an amount equal to the corresponding lease liability, is depreciated on a straight-line basis, over the shorter of the estimated useful life of the asset or the lease term. The ROU asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

3. NEW ACCOUNTING STANDARDS (CONTINUED)

Adoption of new and amended accounting standards (continued)

Upon adoption of IFRS 16, there is an increase to depletion and depreciation expense on right-of-use assets, an increase to net finance expense on lease liabilities, a reduction to general and administrative expense and a reduction to transportation expense. Accounting treatment of existing sale and leasebacks resulting in a finance lease under IAS 17 remain unchanged.

Lease payments are allocated between the lease liability and finance costs. Cash outflows for repayment of the principal portion of the lease liability is classified as cash flows from financing activities. The interest portion of the lease payments is classified as cash flows from operating activities.

Leases that have terms of less than twelve months or leases on which the underlying asset is of low value are recognized as an expense in the consolidated statement of earnings (loss) on a straight-line basis over the lease term.

- ***IFRIC 23 – Uncertainty over Income Tax Treatments***

This standard was issued by the IASB in June 2017 and specifies the interpretation to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The adoption of this standard did not have an impact on the unaudited condensed interim financial statements.

Significant Accounting Estimates, Assumptions and Judgements

The same accounting estimates, assumptions and judgments are used in the unaudited interim financial statements as were used in the Company's audited financial statements. Additional estimates, assumptions and judgments for 2019 are outlined below:

- **Critical judgments related to leases under IFRS 16, Leases**

The Company applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. Leases that are recognized are subject to further judgment and estimation in various areas specific to the arrangement.

When a lease contract contains an option to extend or terminate a lease, the Company must use their best estimate to determine the appropriate lease term. Management must consider all facts and circumstances to determine if there is an economic benefit to exercise an extension option or to not exercise a termination option.

The lease term must be reassessed if a significant event or change in circumstance occurs.

Lease liabilities recognized have been estimated using a discount rate equal to the Company's estimated incremental borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

New Leaf Enterprises, Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in United States Dollars)

4. BIOLOGICAL ASSETS

	September 30, 2019	September 30, 2018
Beginning of period	\$ 455,637	\$ 626,628
Production costs capitalized	670,091	632,519
Change in fair value less costs to sell due to biological transformation	869,220	1,053,042
Transferred to inventory upon harvest	<u>(1,567,700)</u>	<u>(1,802,855)</u>
End of period	\$ 427,248	\$ 509,334

The fair value was determined using an expected cash flow model which assumes the biological assets will grow to maturity, be harvested and converted into finished goods inventory, and be sold in the retail cannabis market. The significant assumptions used in determining the fair value of cannabis plants include:

Assumption	September 30, 2019	September 30, 2018
Estimated sales price per gram	\$ 2.15	\$ 2.45
Weighted average stage of growth	68%	68%
Expected yields by plant (in grams)	105	105
Wastage	3% to 10%	3% to 10%
Post-harvest costs per gram	\$ 0.15	\$ 0.15

Biological assets are measured at fair value less costs to sell until harvest. As at September 30, 2019, the carrying value of biological assets consisted entirely of live cannabis plants. The Company values cannabis plants at cost from the date of initial clipping from mother plants until the end of the second week of its growing cycle. Measurement of the biological asset at fair value less costs to sell and costs to complete begins at the third week until harvest. On average, the growth cycle is approximately 18 weeks.

The Company accretes fair value on a straight-line basis according to stage of growth. As a result, a cannabis plant that is 50% through its 20-week growth cycle would be ascribed approximately 50% of its harvest date expected fair value (subject to wastage adjustments).

The fair value measurements for biological assets have been categorized as Level 3 fair values based on the inputs to the valuation technique used. These estimates are subject to volatility in market prices and several uncontrollable factors, which will be reflected in the gain or loss on biological assets in future periods.

Increases in cost required up to the point of harvest, harvesting costs and selling costs will decrease the fair value of biological assets, while increases in sales price and expected yield for the cannabis plant will increase the fair value of biological assets. A 10% change in each of the significant assumptions as at September 30, 2019 would not result in a material change to the fair value of biological assets.

New Leaf Enterprises, Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in United States Dollars)

5. INVENTORY

Inventory is comprised of:

	September 30, 2019	December 31, 2018
Harvested cannabis and trim	\$ 171,156	\$ 128,267
Finished goods	11,774	25,795
Supplies and consumables	215,432	91,839
	\$ 398,362	\$ 245,901

6. PROPERTY AND EQUIPMENT

	Office equipment	Vehicles under lease	Right-of- use assets	Production equipment	Leasehold improvements	Total
Cost						
Balance as at December 31, 2018	\$ 43,556	\$ 95,011	\$ -	\$ 697,199	\$ 998,105	\$ 1,833,871
IFRS 16 adjustments (note 3)	-	-	2,356,680	-	-	2,356,680
Restated balance as at January 1, 2019	43,556	95,011	2,356,680	697,199	998,105	4,190,551
Additions	-	-	-	1,395	-	1,395
Balance as at September 30, 2019	\$ 43,556	\$ 95,011	\$ 2,356,680	\$ 698,594	\$ 998,105	\$ 4,191,946
Depreciation						
Balance as at December 31, 2018	\$ (34,532)	\$ (63,868)	\$ -	\$ (194,314)	\$ (997,585)	\$ (1,290,299)
IFRS 16 adjustments (note 3)	-	-	(137,473)	-	-	(137,473)
Restated balance as at January 1, 2019	(34,532)	(63,868)	(137,473)	(194,314)	(997,585)	(1,427,772)
Additions	(3,967)	(13,815)	(117,834)	(36,519)	(151)	(172,286)
Balance as at September 30, 2019	\$ (38,499)	\$ (77,683)	\$ (255,307)	\$ (230,833)	\$ (997,736)	\$ (1,600,058)
Net book value						
As at December 31, 2018	\$ 9,024	\$ 31,143	\$ -	\$ 502,885	\$ 520	\$ 543,572
As at September 30, 2019	\$ 5,057	\$ 17,328	\$ 2,101,373	\$ 467,761	\$ 369	\$ 2,591,888

During the nine months ended September 30, 2019, the Company charged \$172,286 (September 30, 2018 – \$96,849) in depreciation expense of which \$1,658 (September 30, 2018 – \$11,281) was charged to the statement of loss and comprehensive loss and \$170,628 (September 30, 2018 – \$85,568) was capitalized as inventory.

New Leaf Enterprises, Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in United States Dollars)

7. INTANGIBLE ASSET

Balance as at December 31, 2018	\$	185,746
Less: Amortization		(14,925)
Balance as at September 30, 2019	\$	170,821

During the nine months ended September 30, 2019, the Company charged \$14,925 (September 30, 2018 – \$8,292) in amortization expense which was capitalized as inventory.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2019		December 31, 2018	
Accounts payable	\$	1,268,753	\$	1,164,482
Accrued liabilities		126,635		66,544
Tax payable		444,569		461,414
	\$	1,839,957	\$	1,692,440

The Company received a Notice of Federal Tax Lien from the Internal Revenue Service relating to the December 31, 2018 tax filing period. The Company has accrued the underlying liability in these financial statements. The Federal Tax lien applies to all property owned by the Company.

9. DUE TO RELATED PARTIES

Beginning of period	\$	1,298,849
Addition		90,652
Payments		(52,288)
Accretion of interest		153,523
Gain on advances		(53,204)
End of period	\$	1,437,532

Due to related parties consists of advances and loans from the Company's shareholders. As at September 30, 2019, the balances due to related parties are due on demand, unsecured and bearing interest rates of 0% - 12%.

During the nine months ended September 30, 2019, the Company's shareholders advanced \$100,000 to the Company. These amounts are unsecured, non-interest bearing and payable on demand. For accounting purposes, the Company calculated the fair value of the promissory note at the date of issuance by using the risk-adjusted discount rate of 15%, and therefore the differences of \$9,348 had been recorded as a contribution from shareholders.

During the nine months ended September 30, 2019, the Company recognized a gain of advances of \$53,204 (September 30, 2018 – \$48,900) relating to the differences between the forgone market rate of interest any the below market rate of the loans and recorded this gain as a contribution from shareholders.

During the nine months ended September 30, 2019, accretion expense of \$153,523 was charged to the statement of loss and comprehensive loss with a corresponding increase in the carrying value of the liability (September 30, 2018 – \$130,579).

New Leaf Enterprises, Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in United States Dollars)

9. DUE TO RELATED PARTIES (CONTINUED)

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined its key management personnel to be founders of the Company.

During the nine months ended September 30, 2019 and 2018, the short-term benefits incurred for the key management personnel were \$90,000, respectively.

10. LEASES

Balance, opening	\$	37,427
IFRS 16 adjustments (note 3)		2,325,945
Restated opening balance	\$	2,363,372
Add: Accretion of interest		257,215
Less: Payments		(319,121)
Balance, ending	\$	2,301,466

The Company leases property and equipment under capital leases expiring at various dates to 2028. As at September 30, 2019, future minimum lease payments under capital leases are as follows:

Minimum lease payments for each fiscal year:		
2019	\$	108,146
2020		437,478
2021		435,483
2020 and thereafter		3,217,520
	\$	4,198,627
Amount representing interest		(1,897,161)
	\$	2,301,466
Current	\$	436,254
Long-term	\$	1,865,212

During the nine months ended September 30, 2019, interest expense of \$257,215 was charged to the statement of loss and comprehensive loss (September 30, 2018 – \$2,448).

New Leaf Enterprises, Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in United States Dollars)

11. SHARE CAPITAL

Authorized share capital

The Company's authorized share capital consists of 20,000 common shares issued without par value.

Issued share capital

At September 30, 2019 and December 31, 2018, the Company had 20,000 common shares issued and outstanding with a value of \$552,009.

During the nine months ended September 30, 2019 and 2018, no share capital transactions occurred.

12. SUPPLEMENTAL CASH FLOW

	Note	September 30, 2019	September 30, 2018
SUPPLEMENTAL CASH FLOW			
Issuance of loan payable for acquisition of other assets		\$ -	\$ 199,014
Reclassification of the current portion of lease obligations	9	417,615	17,446
Gain on loan payable / shareholders' contributions	8	62,552	48,900
		\$ 480,167	\$ 265,360

13. COMMITMENTS

Legal contingencies

The Company from time to time is involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial condition or future results of operations of the Company.

14. SEGMENTED INFORMATION

The Company operates in one reportable segment focusing on the cultivation, production and sale of cannabis products. All of the Company's assets are located in the US.

New Leaf Enterprises, Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in United States Dollars)

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new units, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2019.

16. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, accounts receivable and advances, deposits, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the relatively short period to maturity of those financial instruments. The fair value of lease obligations approximates fair value as it is discounted using a market rate of interest.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices 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 that are not based on observable market data.

As at September 30, 2019, the financial instrument recorded at fair value on the statement of financial position is cash which is measured using Level 1 of the fair value hierarchy.

Financial risk management

- **Credit risk**

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable financial institutions in the United States, and in safes, from which management believes the risk of loss is remote. Accounts receivable include trade receivables which the Company feels there is minimal risk of non-collection. The Company does not have significant credit risk with respect to customers. The Company's maximum credit risk exposure is equivalent to the carrying value of these instruments. The Company has been granted a license pursuant to the laws of the State of Washington with respect to cultivating cannabis. Presently, this industry is illegal under United States federal law. The Company has, and intends, to adhere strictly to the state statutes in its operations.

New Leaf Enterprises, Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in United States Dollars)

16. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

- **Liquidity risk**

The Company manages liquidity risk by maintaining adequate cash balances to meet short and long-term business requirements.

As at September 30, 2019, all of the Company's other financial liabilities except for lease obligations have maturities less than one year. As at September 30, 2019, the Company had cash of \$17,244 in order to meet short-term operating needs.

- **Foreign currency risk**

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in United States dollar. As at September 30, 2019, the Company is not exposed to currency risk as all transactions and balances are denominated in United States dollar.

- **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 holds cash in accounts with variable interest rates, and currently does not carry variable interest-bearing debt. It is management's opinion that the Company is not exposed to significant interest rate risk.

17. SUBSEQUENT EVENTS

Subsequent to September 30, 2019:

- The Company entered into various transaction agreements ("Agreements") with New Leaf USA, Inc. and its wholly owned subsidiaries (collectively "New Leaf USA"). Pursuant to the Agreements, the Company:
 - sold all the equipment to New Leaf Equipment, LLC, a wholly-owned subsidiary of New Leaf USA, Inc., effective October 1, 2019 in exchange for a promissory note in the amount of US\$769,871,
 - sold the intellectual property to New Leaf IP, LLC, a wholly-owned subsidiary of New Leaf USA, Inc., effective October 1, 2019 in exchange for a promissory note in the amount of US\$1,300,000, and
 - transferred, in August 2019, the lease of the approximately 30,000 square foot integrated cultivation facility located at 460 and 470 South Kenyon Street, Seattle, Washington which is currently leased by the Company to New Leaf Real Estate, LLC, a wholly-owned subsidiary of New Leaf USA, Inc.

New Leaf Enterprises, Inc.
Notes to the Condensed Interim Financial Statements (unaudited)
For the Nine Months Ended September 30, 2019
(Expressed in United States Dollars)

17. SUBSEQUENT EVENTS (CONTINUED)

Commencing October 1, 2019, New Leaf USA:

- leases the equipment to the Company in exchange for a monthly fee of US\$6,000.
- leases the intellectual property to the Company in exchange for annual exclusivity fees of US\$100,000 and the greater of US\$1.07 per each unit sold and quarterly license fee of US\$150,000.
- leases the 30,000 square foot facility to the Company in exchange for monthly fees of US \$36,860 (which includes the base rent and payment of property tax amounts pursuant to the terms of the subleases).
- provides the services, which include staffing and human resources, bookkeeping and payroll, advertising and marketing, IT, and other consulting and advisory services, to the Company in exchange for a monthly fee of US\$251,000 for the services provided.



New Leaf Enterprises, Inc.

Management's Discussion and Analysis

For the Nine Months Ended September 30, 2019

(Expressed in United States Dollars)

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of New Leaf Enterprise, Inc. (the "Company") provides an analysis of the Company's results of operations and financial condition for the nine months ended September 30, 2019. This MD&A supplements the unaudited condensed interim financial statements of the Company and the notes thereto for the nine months ended September 30, 2019, which was prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the Company's audited financial statements and corresponding notes for the period ended December 31, 2018 and related MD&A

This MD&A is prepared as of **MMMM DD**, 2019. All amounts presented in this MD&A are in United States dollars unless otherwise indicated.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain "forward-looking statements" which may include, but are not limited to, statements with respect to the future financial or operating performance of the Company. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variation (including negative variations) of such words and phrases, or statements that certain actions, events, or results "may", "could", "would", "might", or "will" be taken, occur or to achieve. Statements such as the Company's ability to achieve profitability without further equity financing or at all are all forward looking statements. Forward-looking statements are based on the reasonable assumptions, estimates, internal and external analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made.

Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled "Risk Factors". Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of the MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

OVERVIEW

The Company was incorporated on March 15, 2013 pursuant to the provisions of the Washington Business Corporations Act. The Company's registered office is located at 470 South Kenyon St., Seattle WA 98108 United States.

The Company is a US cannabis company that holds a Tier 3 Producer/Processor license in Washington State. The Company focuses on developing and implementing quality and safety methodologies for cannabis production, processing and extractions. The Company provides safe cannabis products and derivatives in Washington.

While some states in the United States have authorized the use and sale of marijuana, it remains illegal under federal law and the approach to enforcement of U.S. federal laws against marijuana is subject to change. Because the Company engages in marijuana-related activities in the United States, it assumes certain risks due to conflicting state

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019

and federal laws. The federal law relating to marijuana could be enforced at any time and this would put the Company at risk of being prosecuted and having its assets seized.

Given the current illegality of marijuana under United States federal law, the Company's ability to access both public and private capital may be hindered by the fact that certain financial institutions are regulated by the United States federal government and are thus prohibited from providing financing to companies engaged in marijuana related activities. The Company's ability to access public capital markets in the United States is directly hindered as a result. The Company may, however, be able to access public and private capital markets in Canada in order to support continuing operations.

OPERATIONS IN THE UNITED STATES

The Company's facility encompasses 30,000 square feet of space that houses an indoor cannabis cultivation and processing facility, an extraction lab, packaging, sales, distribution, and research. Currently, the Company has converted 13,000 square feet of space into a cultivation facility optimized for production of high-grade cannabis flower and extraction material with maximum Tetrahydrocannabinol ("THC") and terpene levels. The Company's extraction lab uses an ethanol extraction process for efficient production of cannabis oil and distillate for use in its value-added products and for sale to other licensed Processors in Washington state. The Company's products include cannabis flower, vape cartridges, oil, and edibles. In August 2019, the Company transferred the lease of the facility to New Leaf Real Estate, LLC, a wholly-owned subsidiary of New Leaf USA, Inc. Commencing October 1, 2019, New Leaf Real Estate, LLC subleased the 30,000 square foot facility to the Company in exchange for a monthly fee of US\$36,860.

As a Washington-based tier 3 licensed producer and processor of cannabis products, the facility supports cultivation, processing, extraction and innovation. The Company employs new methodologies such as LED lighting, automated irrigation and climate control, and integrated software that manages its manufacturing, inventory, sales, and distribution processes. The Company also has a contract to evaluate and implement EnWave's REV technology for drying and processing to manage efficient and predictable dry cycles. Additionally, the Company has voluntarily worked with local laboratories to create rigorous quality control standards.

In addition to its own cultivation capacity, the company purchases, packages, and distributes flower produced by carefully selected external outdoor and greenhouse cultivators. The Company has established relationships with several licensed outdoor and greenhouse Producers to secure a consistent supply of high-quality material.

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019

SELECTED INFORMATION

	For the nine months ended		
	September 30, 2019	September 30, 2018	September 30, 2017
	\$	\$	\$
Operating expenses	537,834	651,351	606,345
Net loss for the period	(353,067)	(552,864)	(477,728)
Comprehensive loss for the period	(353,067)	(552,864)	(477,728)
Basic and diluted loss per share:			
- net loss	(17.65)	(27.64)	(23.89)

	As at	September 30, 2019	December 31, 2018	December 31, 2017
		\$	\$	\$
	Working capital deficiency		(2,821,505)	(2,237,285)
Total assets		3,654,947	1,501,961	1,823,745
Total liabilities		5,578,955	3,028,716	2,222,104
Share capital		552,009	552,009	552,009
Deficit		(2,476,017)	(2,078,764)	(950,368)

RESULTS OF OPERATIONS

	Three months ended			
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	\$	\$	\$	\$
Interest income	-	-	-	-
Net income (loss)	(196,438)	(265,448)	108,819	(642,621)
Comprehensive income (loss)	(196,438)	(265,448)	108,819	(642,621)
Basic and diluted loss per share	(9.82)	(13.27)	5.44	(32.12)

	Three months ended			
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
	\$	\$	\$	\$
Interest income	-	-	-	-
Net income (loss)	112,085	(186,048)	(478,901)	(138,210)
Comprehensive income (loss)	112,085	(186,048)	(478,901)	(138,210)
Basic and diluted loss per share	5.60	(9.30)	(23.95)	(6.91)

Three months ended September 30, 2019 compared to Three months ended September 30, 2018

The Company's operations resulted in net loss of \$196,438 for the three months ended September 30, 2019, representing a decrease of \$308,523 when compared to the net income of \$112,085 for the three months ended September 30, 2018.

Revenue and Gross Margin

Revenue and cost of goods sold including changes in fair value of inventory sold and fair value adjustment on growth of biological assets during the three months ended September 30, 2019 were \$453,770 and \$338,466, respectively

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019

(September 30, 2018 – \$680,368 and \$314,758, respectively) resulting in a gross margin of \$115,304 (September 30, 2018 – \$365,610).

During the three months ended September 30, 2019:

- Inventory expensed to cost of sales was \$347,953 which includes production costs as well as other direct costs (September 30, 2018 – \$298,476).
- Changes in fair value of inventory sold was \$335,898 which represented the value of biological assets grown and sold during the period ended September 30, 2019 (September 30, 2018 – \$387,329).
- Fair value adjustment on growth of biological assets was \$345,385 which represents the fair value of biological assets at their current stage of growth as at September 30, 2019 (September 30, 2018 – \$371,047).

Significant Operating Expenses

Wages and benefits decreased by \$45,461 to \$104,923 for the three months ended September 30, 2019 compared to \$150,384 for the three months ended September 30, 2018. The decrease was primarily due to a reduction to the head count by one person.

Professional fees increased by \$37,045 to \$40,001 for the three months ended September 30, 2019 compared to \$2,956 for the three months ended September 30, 2018. The increase was mainly related to the reorganization of the business structure.

General and administrative expenses decreased by \$8,721 to \$26,133 for the three months ended September 30, 2019 compared to \$34,854 for the three months ended September 30, 2018. The decrease was mainly due to the decrease in insurance expense, bank charges, property taxes and license taxes.

Other Items

During the three months ended September 30, 2019, the Company charged accretion expense of \$137,156 (September 30, 2018 – \$47,732) of which \$52,116 and \$85,040 related to the amounts due to the related parties and lease obligations, respectively (September 30, 2018 – \$46,988 and \$744, respectively).

Nine months ended September 30, 2019 compared to Nine months ended September 30, 2018

The Company's operations resulted in net loss of \$353,067 for the nine months ended September 30, 2019, representing an increase of \$199,797 when compared to the net loss of \$552,864 for the nine months ended September 30, 2018.

Revenue and Gross Margin

Revenue and cost of goods sold including changes in fair value of inventory sold and fair value adjustment on growth of biological assets during the nine months ended September 30, 2019 were \$1,776,854 and \$1,181,349, respectively (September 30, 2018 – \$1,925,037 and \$1,693,523, respectively) resulting in a gross margin of \$595,505 (September 30, 2018 – gross margin of \$231,514).

During the nine months ended September 30, 2019:

- Inventory expensed to cost of sales was \$1,077,883 which includes production costs as well as other direct costs (September 30, 2018 – \$1,229,295).

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019

- Changes in fair value of inventory sold was \$972,686 which represented the value of biological assets grown and sold during the period ended September 30, 2019 (September 30, 2018 – \$1,517,270).
- Fair value adjustment on growth of biological assets was \$869,220 which represents the fair value of biological assets at their current stage of growth as at September 30, 2019 (September 30, 2018 – \$1,053,042).

Significant Operating Expenses

Wages and benefits decreased by \$54,087 to \$330,580 for the nine months ended September 30, 2019 compared to \$384,667 for the nine months ended September 30, 2018. The decrease was primarily due to a reduction to the head count by one person.

General and administrative expenses decreased by \$68,534 to \$105,224 for the nine months ended September 30, 2019 compared to \$173,758 for the nine months ended September 30, 2018. The decrease was mainly due to the decrease in insurance expense, bank charges, property taxes and license taxes.

Professional fees increased by \$69,328 to \$80,877 for the nine months ended September 30, 2019 compared to \$11,549 for the nine months ended September 30, 2018. The increase was mainly related to the reorganization of the business structure.

Other Items

During the nine months ended September 30, 2019, the Company charged accretion expense of \$410,738 (September 30, 2018 – \$133,027) of which \$153,523 and \$257,215 related to the amounts due to the related parties and lease obligations, respectively (September 30, 2018 – \$130,579 and \$2,448, respectively).

LIQUIDITY AND CAPITAL RESOURCES

The Company's objectives in managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operating, acquisition, organic growth and contractual obligations.

As September 30, 2019, the Company had working capital deficiency of \$2,821,505 including cash of \$17,244, accounts payable and accrued liabilities of \$1,839,957 and amounts due to related parties of \$1,437,532.

The Company's ability to generate sufficient amounts of cash in the short term to fund its ongoing development activities currently depends to a significant degree on debt and equity financings as the Company's operating activities currently generate less revenue than the anticipated need. The Company is planning to increase its revenue-generating activities in 2019 from the current facility. The Company's ability to continue as a going concern is dependent upon its ability to generate sufficient cash flows and / or obtain additional financing to meet its obligations as they come due. If the Company was to become unable to continue as a going concern, then significant adjustments would be required to the carrying value of assets and liabilities, and to the balance sheet classifications currently used. There is no guarantee that the Company will be able to secure additional financings in the future at terms that are favorable.

The Company has no lines of credit or other sources of financing which have been arranged or are being negotiated. It also has no investments in asset-backed commercial paper.

No commitments for material capital expenditures exist for the Company at September 30, 2019.

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019

OUTSTANDING SHARE DATA

The Company's authorized share capital consists of 20,000 common shares issued without par value.

At September 30, 2019 and the date of this MDA, the Company had 20,000 common shares common shares issued and outstanding with a value of \$552,009.

During the nine months ended September 30, 2019, no share capital transactions occurred.

COMMITMENTS AND CONTINGENCIES

Legal contingencies

The Company from time to time is involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial condition or future results of operations of the Company.

FINANCIAL INSTRUMENTS

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in various tables in note 16 of our unaudited financial statements for the nine months ended September 30, 2019. For a discussion on the significant assumptions made in determining the fair value of financial instruments, refer also to note 2 of the audited financial statements for the year ended December 31, 2018.

RELATED PARTY TRANSACTIONS

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined its key management personnel to be founders of the Company.

- Dax Colwell, Founder
- Boris Gorodnitsky, Founder

During the nine months ended September 30, 2019 and 2018, the short-term benefits incurred for the key management personnel were \$90,000, respectively.

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019

Other related party transactions

Beginning of period	\$	1,298,849
Addition		90,652
Payments		(52,288)
Accretion of interest		153,523
Gain on advances		(53,204)
End of period	\$	1,437,532

Due to related parties consists of advances and loans from the Company's shareholders. As at September 30, 2019, the balances due to related parties are due on demand, unsecured and bearing interest rates of 0% - 12%.

During the nine months ended September 30, 2019, the Company's shareholders advanced \$100,000 to the Company. These amounts are unsecured, non-interest bearing and payable on demand. For accounting purposes, the Company calculated the fair value of the promissory note at the date of issuance by using the risk-adjusted discount rate of 15%, and therefore the differences of \$9,348 had been recorded as a contribution from shareholders.

During the nine months ended September 30, 2019, the Company recognized a gain of advances of \$53,204 (September 30, 2018 – \$48,900) relating to the differences between the forgone market rate of interest and the below market rate of the loans and recorded this gain as a contribution from shareholders.

During the nine months ended September 30, 2019, accretion expense of \$153,523 was charged to the statement of loss and comprehensive loss with a corresponding increase in the carrying value of the liability (September 30, 2018 – \$130,579).

CRITICAL ESTIMATES

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgements, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable. Refer to note 2 of our annual audited financial statements for the year ended December 31, 2018 for a more detailed discussion of the critical accounting estimates and judgments.

ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on January 1, 2019.

The adoption of the following IFRS pronouncement will result in enhanced financial statement disclosures in the Company's annual financial statements.

- **IFRS 16 – Leases:** New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019. The Company will apply this new standard retrospectively with the cumulative effect of initially applying the standard recognized at the date of January 1, 2019. On adoption, the Company will recognize the ROU assets and lease liabilities of \$2,219,207 and \$2,325,945, respectively. The difference of \$106,738 will be charged to the opening deficit.

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019

- **IFRIC 23 – Uncertainty over Income Tax Treatments:** This standard was issued by the IASB in June 2017 and specifies the interpretation to be applied to the determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company completed an assessment and concluded that there will be no significant change to its financial statements from adopting this new standard.

The impacts on the adoption of the new accounting policy was provided in note 3 of our unaudited financial statements for the nine months ended September 30, 2019.

SUBSEQUENT EVENTS

Subsequent to September 30, 2019

- The Company entered into various transaction agreements (“Agreements”) with New Leaf USA, Inc. and its wholly owned subsidiaries (collectively “New Leaf USA”). Pursuant to the Agreements, the Company:
 - sold all the equipment to New Leaf Equipment, LLC, a wholly-owned subsidiary of New Leaf USA, Inc., effective October 1, 2019 in exchange for a promissory note in the amount of US\$769,871,
 - sold the intellectual property to New Leaf IP, LLC, a wholly-owned subsidiary of New Leaf USA, Inc., effective October 1, 2019 in exchange for a promissory note in the amount of US\$1,300,000, and
 - transferred, in August 2019, the lease of the approximately 30,000 square foot integrated cultivation facility located at 460 and 470 South Kenyon Street, Seattle, Washington which is currently leased by the Company to New Leaf Real Estate, LLC, a wholly-owned subsidiary of New Leaf USA, Inc.

Commencing October 1, 2019, New Leaf USA:

- leases the equipment to the Company in exchange for a monthly fee of US\$6,000.
- leases the intellectual property to the Company in exchange for annual exclusivity fees of US\$100,000 and the greater of US\$1.07 per each unit sold and quarterly license fee of US\$150,000.
- leases the 30,000 square foot facility to the Company in exchange for monthly fees of US\$36,860 (which includes the base rent and payment of property tax amounts pursuant to the terms of the subleases).
- provides the services, which include staffing and human resources, bookkeeping and payroll, advertising and marketing, IT, and other consulting and advisory services, to the Company in exchange for a monthly fee of US\$251,000 for the services provided.

OFF-BALANCE SHEET FINANCING ARRANGEMENTS

As of September 30, 2019, and the date of this MD&A, the Company did not have any off-balance sheet financing arrangements.

PROPOSED TRANSACTIONS

No transactions are proposed.

RISK FACTORS

Risks Related to the Business of the Company

Risk Relating to the United States Regulatory System

The activities of the Company are subject to regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure or maintain all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Company incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

This MD&A involves an entity that is expected to continue to derive a significant portion of its revenues from the cannabis industry in certain states of the United States, which the industry is illegal under United States federal law. Currently, the Company is directly engaged in the manufacture and possession of cannabis in the recreational cannabis marketplace in the United States. The enforcement of relevant laws is a significant risk.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019

nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Changes in Laws, Regulations and Guidelines

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. To its knowledge, the Company is currently in compliance with such laws in all material respects. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

While the impact of the changes are uncertain and are highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on the Company's operations that is materially different than the effect on similar-sized companies in the same business as the Company.

Local, state and federal laws and regulations governing marijuana for medicinal and recreational purposes are broad in scope and are subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's business.

Risks associated with the change in U.S. Administrations

As a result of the 2016 U.S. presidential election and the related change in political agenda, there continues to be uncertainty as to the position the United States will take with respect to world affairs and events. This uncertainty may include issues such as enforcement of the U.S. federal laws. Implementation by the U.S. of new legislative or regulatory regimes could impose additional costs on the Company, decrease U.S. demand for the Company's services or otherwise negatively impact the Company, which may have a material adverse effect on the Company's business, financial condition and operations.

Risks Concerning Banking

The U.S. federal prohibitions on the sale of marijuana may result in the Company and its partners being restricted from accessing the U.S. banking system and they may be unable to deposit funds in federally insured and licensed banking institutions. Banking restrictions could be imposed due to the Company's banking institutions not accepting payments and deposits. The Company is at risk that any bank accounts it has could be closed at any time. Such risks increase costs to the Company. Additionally, similar risks are associated with large amounts of cash at its business locations. These locations require heavy security with respect to holding and transport of cash.

The guidance provided in the FinCEN Memo may change depending on the position of the U.S. government administration at any given time and is subject to revision or retraction in the future, which may restrict the Company's access to banking services.

In the event financial service providers do not accept accounts or transactions related to the marijuana industry, it is possible that the Company may seek alternative payment solutions, including but not limited to crypto currencies such as Bitcoin. There are risks inherent in crypto currencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in crypto currency the Company

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019

would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

Product Liability, Operational Risk

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of marijuana and CBD infused products based on the Company's recipes and brands involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Should the Federal government legalize marijuana for medical or recreational use nation-wide, it is possible that the U.S. Food and Drug Administration ("FDA") would seek to regulate the products under the Food, Drug and Cosmetics Act of 1938. Additionally, the Washington State has recently stated that it will only approve certain food related products for sale once approved by the FDA. The FDA may issue rules and regulations including certified good manufacturing practices related to the growth, cultivation, harvesting and processing of medical and adult use marijuana and CBD infused products. Clinical trials may be needed to verify efficacy and safety of the medical and adult use marijuana. It is also possible that the FDA would require that facilities where medical and adult use marijuana is cultivated be registered with the applicable government agencies and comply with certain federal regulations. In the event any of these regulations are imposed, The Company cannot foresee the impact on its operations and economics. If the Company is unable to comply with the regulations and or registration as prescribed by the FDA or another federal agency, the Company may be unable to continue to operate in its current form or at all.

Product Recall Risks

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products developed by the Company and sold by it or by licensed producers are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense relating to the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of revenue due to a loss of and may not be able to replace that revenue at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has established procedures to test finished products (in connection with Washington State requirements), there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019

condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by the regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Company's operations can also be substantially affected by adverse publicity resulting from quality, illness, injury, health concerns, public opinion, or operating issues. The Company will attempt to manage these factors, but the occurrence of any one or more of these factors could materially and adversely affect the Company's business, financial condition and results of operations.

Risks Inherent in an Agricultural Business

The Company's business will involve the growing of marijuana, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that its products will be grown indoors under climate-controlled conditions, carefully monitored by trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Vulnerability to Rising Energy Costs

Marijuana growing operations consume considerable energy, making such operations vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

Transportation Disruptions

The Company will depend on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of the Company. Rising costs associated with the courier services used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably.

Unfavorable Publicity or Consumer Perception

The Company believes the marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana produced. Consumer perception of marijuana products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for medical marijuana products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Company's products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019

Uninsurable Risks

The medical and adult use marijuana business is subject to several risks that could result in damage to or destruction of properties or facilities or cause personal injury or death, environmental damage, delays in production and monetary losses and possible legal liability. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Threats from illegal drug dealers

Currently, there are many drug dealers and cartels that cultivate, buy, sell and trade marijuana in the United States, Canada and worldwide. Many of these dealers and cartels are violent and dangerous, well financed and well organized. It is possible that these dealers and cartels could feel threatened by legalized marijuana businesses such as those with whom the Company does business and could take action against or threaten the Company, its principals, employees and/or agents and this could negatively impact the Company and its business.

The Company may not be able to accurately predict its future capital needs and it may not be able to secure additional financing

The Company may need to raise significant additional funds in order to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing in order to meet its plans for expansion. The Company cannot be sure that this additional financing, if needed, will be available on acceptable terms, or at all. Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Factors which may prevent realization of growth targets

The Company is currently in the early growth stage. There is a risk that the additional resources will be needed and milestones will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following as it relates to the Company:

- maintaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labor costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labor disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019

- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

Competitive Risks

The marijuana industry is highly competitive. The Company will compete with numerous other businesses in the medical and adult use marijuana industry, many of which possess greater financial and marketing resources and other resources than the Company. The marijuana business is often affected by changes in consumer tastes and discretionary spending patterns, national and regional economic conditions, demographic trends, consumer confidence in the economy, traffic patterns, local competitive factors, cost and availability of raw material and labor, and governmental regulations. Any change in these factors could materially and adversely affect the Company's operations.

Due to the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of legal users of marijuana in its target jurisdictions increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations the Company.

Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Difficulties in Forecasting

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the marijuana industry in the U.S. A failure in the demand for its products to materialize as a result of competition, technological change, market acceptance or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019

Enforcement of Legal Rights

In the event of a dispute arising from the Company's U.S. operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Washington. Similarly, to the extent that the Company's assets are located outside of Canada, investors may have difficulty collecting from the Company any judgments obtained in the Canadian courts and predicated on the civil liability provisions of securities provisions. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

Global financial and economic conditions

Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain debt and equity financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial condition could be adversely impacted.

Success of Quality Control Systems

The quality and safety of the Company's products are critical to the success of its business and operations. As such, it is imperative that the Company's (and its service provider's) quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although the Company strives to ensure that all of its service providers have implemented and adhere to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on the Company's business and operating results.

Inability to Renew Material Leases

The Company may be unable to renew or maintain its leases (commercial or real property) on commercially acceptable terms or at all. An inability to renew its leases, or a renewal of its leases with a rental rate higher than the prevailing rate under the applicable lease prior to expiration, may have an adverse impact on the Company's operations, including disruption of its operations or an increase in its cost of operations. In addition, in the event of non-renewal of any of the Company's leases, the Company may be unable to locate suitable replacement properties for its facilities or it may experience delays in relocation that could lead to a disruption in its operations. Any disruption in the Company's operations could have an adverse effect on its financial condition and results of operations.

Obtaining Insurance

Due to the Company's involvement in the cannabis industry, it may have a difficult time obtaining the various insurances that are desired to operate its business, which may expose the Company to additional risk and financial liability. Insurance that is otherwise readily available, such as general liability, and directors and officer's insurance, may be more difficult to find, and more expensive, because of the regulatory regime applicable to the industry. There are no guarantees that the Company will be able to find such insurance coverage in the future, or that the cost will be affordable. If the Company is forced to go without such insurance coverage, it may prevent it from entering into certain business sectors, may inhibit growth, and may expose the Company to additional risk and financial liabilities.

New Leaf Enterprises, Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2019

Inability to Protect Intellectual Property

The Company's success is heavily dependent upon its intangible property and technology. The Company relies upon copyrights, patents, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information that is considered important to the development of the business. The Company relies on various methods to protect its proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. There can be no assurances that the steps taken by the Company to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of the Company's intangible property, technology or processes. It is likely that other companies can duplicate a production process similar to the Company's. Other companies may also be able to materially duplicate the Company's proprietary plant strains. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, the Company may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

The Company's ability to successfully implement its business plan depends in part on its ability to maintain and build brand recognition using its trademarks, service marks, trade dress, domain names and other intellectual property rights, including the Company's names and logos. If the Company's efforts to protect its intellectual property are inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Company's business and might prevent its brands from achieving or maintaining market acceptance.

The Company may be unable to obtain registrations for its intellectual property rights for various reasons, including prior registrations of which it is not aware, or it may encounter claims from prior users of similar intellectual property in areas where it operates or intends to conduct operations. This could harm its image, brand or competitive position and cause the Company to incur significant penalties and costs.

Reliance on Key Personnel

The nature of the business of the Company, the ability of the Company to continue its operations, in a large part, on the ability of the Company to attract and maintain qualified key management personnel. Competition for such personnel is intense, and there can be no assurance that the Company will be able to attract and retain such personnel. The development of the Company now and in the future, will depend on the efforts of key management figures, the loss of whom could have a material adverse effect on the Company. The Company does not currently maintain key-man life insurance on any of the key management employees.

SCHEDULE "C"
NEW LEAF USA FINANCIAL STATEMENTS

(See attached)

New Leaf USA, Inc.

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2019

(Expressed in United States Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Directors of
New Leaf USA, Inc.

Opinion

We have audited the accompanying consolidated financial statements of New Leaf USA, Inc. (the “Company”), which comprise the consolidated statement of financial position as at September 30, 2019, and the consolidated statements of changes in shareholders’ equity and cash flows for the period from incorporation on May 2, 2019 to September 30, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019, and its financial performance and its cash flows for the period from incorporation on May 2, 2019 to September 30, 2019 in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

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

Vancouver, Canada

Chartered Professional Accountants

DATE

New Leaf USA, Inc.
Consolidated Statement of Financial Position
(Expressed in United States Dollars)

	Note	As at September 30, 2019
Assets		
Current assets		
Cash		\$ <u>2</u>
Total assets		\$ <u>2</u>
Shareholders' equity		
Share capital	3	\$ <u>2</u>
Total shareholders' equity		\$ <u>2</u>

Corporate information and continuance of operations (note 1)
Segmented information (note 4)
Subsequent events (note 7)

Approved on behalf of the Board:

/s/ XXX Director

/s/ XXX Director

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

New Leaf USA, Inc.
Consolidated Statement of Changes in Shareholder's Equity
(Expressed in United States Dollars)

		<u>Common Stock</u>		
	Note	<u>Shares</u>	<u>Amount</u>	<u>Total</u>
Incorporator shares, May 2, 2019	3	<u>2</u>	<u>2</u>	<u>\$ 2</u>
Balance, September 30, 2019		<u>2</u>	<u>\$ 2</u>	<u>\$ 2</u>

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

New Leaf USA, Inc.
Consolidated Statement of Cash Flows
(Expressed in United States Dollars)

	Note	Period from incorporation on May 2, 2019 to September 30, 2019
Cash flows from financing activities		
Proceeds on issuance of common shares	3	2
Net cash from financing activities		<u>2</u>
Increase in cash		2
Cash, beginning of period		<u>-</u>
Cash, end of period		<u>\$ 2</u>

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

New Leaf USA, Inc.

Notes to the Consolidated Financial Statements

From the date of incorporation on May 2, 2019 to September 30, 2019

(Expressed in United States Dollars)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

New Leaf USA, Inc., (the “Company”) was incorporated on May 2, 2019 pursuant to the provisions of the Washington Business Corporations Act. The Company is currently in the process of identifying, evaluating and negotiating business opportunities.

The Company’s head office, principal address and registered address and records office is 701 Fifth Avenue, Suite 2800 Seattle, WA, 98104, United States.

Following are the wholly-owned subsidiaries the Company:

- New Leaf Real Estate, LLC (“RealEstateCo”);
- New Leaf Equipment, LLC (“EquipmentCo”);
- New Leaf IP, LLC (“IPCo”);
- New Leaf Services LLC (“ServicesCo”); and
- New Leaf Hemp Company LLC (“HempCo”, and together with the Company, the “New Leaf Entities”).

On September 13, 2019, the Company entered into a Share Purchase Agreement (“Acquisition Transaction”) with New Leaf Ventures Inc. (“New Leaf”). Following completion of the Acquisition Transaction, the Company will be the core business of New Leaf. The New Leaf USA Entities will hold assets, comprised of real estate leases, equipment and other tangible and intangible assets, including intellectual property (“IP”) (collectively “Assets”). (note 7)

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 continuing operations of the Company are dependent upon its ability to raise adequate financing to acquire and develop its business interests, and to commence profitable operations in the future. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The consolidated financial statements of the Company for the period ended September 30, 2019 were reviewed, approved and authorized by the Board of Directors on **MMMM DD**, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of preparation

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out below have been applied consistently to the period presented in these financial statements.

New Leaf USA, Inc.
Notes to the Consolidated Financial Statements
From the date of incorporation on May 2, 2019 to September 30, 2019
(Expressed in United States Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of consolidation

These consolidated financial statements comprise the accounts of the Company and the following wholly-owned subsidiaries of the Company:

- New Leaf Services LLC, a company incorporated pursuant to the provisions of the Washington Business Corporations Act;
- New Leaf IP, LLC, a company incorporated pursuant to the provisions of the Washington Business Corporations Act;
- New Leaf Real Estate, LLC, a company incorporated pursuant to the provisions of the Washington Business Corporations Act;
- New Leaf Equipment, LLC, a company incorporated pursuant to the provisions of the Washington Business Corporations Act; and
- New Leaf Hemp Company LLC, a company incorporated pursuant to the provisions of the Washington Business Corporations Act.

All subsidiaries have a fiscal year end of December 31.

i. Subsidiaries

A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

ii. Acquisitions and disposals

The results of businesses acquired during the reporting period are brought into the consolidated financial statements from the date the control is transferred; the results of businesses sold during the reporting period are included in the consolidated financial statements for the period up to the date the control is ceased.

Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the statement of loss and comprehensive loss.

Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

In accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates”, management determined that the functional currency of the Company and its subsidiaries is the United States dollar, as this is the currency of the primary economic environment in which the Company operates.

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

New Leaf USA, Inc.
Notes to the Consolidated Financial Statements
From the date of incorporation on May 2, 2019 to September 30, 2019
(Expressed in United States Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options and share purchase warrants are classified as equity instruments. The Company has no stock options or warrants outstanding.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company is the United States dollar.

Transactions in currencies other than the United States dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange on the statement of financial position date while nonmonetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit and loss.

Loss per share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. For the period presented, the calculation proved to be anti-dilutive.

Financial instruments

The following table shows the classification of financial instruments under IFRS 9:

Cash	Fair value through profit and loss
------	------------------------------------

• **Financial assets**

Classification and measurement

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

New Leaf USA, Inc.
Notes to the Consolidated Financial Statements
From the date of incorporation on May 2, 2019 to September 30, 2019
(Expressed in United States Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (continued)

Classification and measurement (continued)

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

New Leaf USA, Inc.
Notes to the Consolidated Financial Statements
From the date of incorporation on May 2, 2019 to September 30, 2019
(Expressed in United States Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Financial instruments (continued)

Derecognition of financial assets

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life. Where an impairment subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss.

• **Financial liabilities**

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss (FVTPL) - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Amortized cost - This category consists of liabilities carried at amortized cost using the effective interest method. Accounts payable and accrued liabilities are included in this category. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Refer to note 6 for the required disclosures.

New Leaf USA, Inc.
Notes to the Consolidated Financial Statements
From the date of incorporation on May 2, 2019 to September 30, 2019
(Expressed in United States Dollars)

3. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At September 30, 2019, the Company had 2 common shares issued and outstanding.

During the date of incorporation on May 2, 2019 to September 30, 2019, the Company issued 2 shares at \$1 per share to the incorporators.

4. SEGMENTED INFORMATION

The Company operates in one reportable segment. All of the Company's assets are located in the United States.

5. CAPITAL MANAGEMENT

The Company defines its components of equity as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue business opportunities and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust capital structure, the Company may consider issuing new shares, and/or issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

The Company is not subject to externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS

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

Fair value

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

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

The fair value of cash is measured using Level 1 inputs.

New Leaf USA, Inc.
Notes to the Consolidated Financial Statements
From the date of incorporation on May 2, 2019 to September 30, 2019
(Expressed in United States Dollars)

6. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management

- **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. As at September 30, 2019, the Company is not subject to any material credit risk.

- **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

As at September 30, 2019, the Company is not subject to any material liquidity risk.

- **Market risk**

The significant market risks to which the Company is exposed are interest rate risk and currency.

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. It is management's opinion that the Company is not exposed to significant interest rate risk.

Currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in United States dollars. As at September 30, 2019, the Company is not exposed to currency risk as all transactions and balances are denominated in United States dollars.

7. SUBSEQUENT EVENTS

Acquisition Transaction

On September 13, 2019, the Company entered into the Acquisition Transaction with New Leaf.

To complete the Acquisition Transaction, New Leaf will issue the following to the Company:

- 9,000,000 shares; and
- 4,000,000 performance warrants ("Performance Warrants").

New Leaf USA, Inc.

Notes to the Consolidated Financial Statements

From the date of incorporation on May 2, 2019 to September 30, 2019

(Expressed in United States Dollars)

7. SUBSEQUENT EVENTS (CONTINUED)

Each Performance Warrant will entitle the holder to purchase one common share of New Leaf at the price of \$0.02 per common share for a period of three years, and will vest and become exercisable as follows:

- (i) 2,000,000 Performance Warrants will vest and become exercisable if either New Leaf Enterprise Inc. ("License Holder") or the Company achieves at least \$5,000,000 in annual gross revenue; and
- (ii) 2,000,000 Performance Warrants will vest and become exercisable if either the License Holder or the Company achieves at least \$7,500,000 in annual gross revenue.

In addition, the Company will enter into employment agreements, pursuant to which Robert Colwell will be appointed to act as Chief Executive Officer of the Company, and Boris Gorodnitsky will be appointed to act as President of the Company, in each case, for a period of three years following the closing of the Acquisition Transaction, and pursuant to which the New Leaf will issue 1,829,338 common shares to each of Boris Gorodnitsky and Robert Colwell.

Assuming successful completion of the Acquisition Transaction, the Company and its subsidiaries will be wholly-owned by New Leaf, and through which New Leaf will provide consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to the License Holder.

Reorganization Transaction

The New Leaf USA Entities acquired the Assets through the reorganization transaction involving the License Holder ("Reorganization Transaction"). In particular, in connection with the Reorganization Transaction, among other things, the License Holder:

- sold all the equipment to EquipmentCo effective October 1, 2019 in exchange for a promissory note in the amount of US\$769,871,
- sold the intellectual property to IPCo effective October 1, 2019 in exchange for a promissory note in the amount of US\$1,300,000, and
- transferred, in August 2019, the lease of the approximately 30,000 square foot integrated cultivation facility located at 460 and 470 South Kenyon Street, Seattle, Washington which is currently leased by the License Holder (the "Facility") to RealEstateCo.

Commencing on October 1, 2019,

- EquipmentCo leases the equipment to the License Holder in exchange for a monthly fee of US\$6,000.
- IPCo leases the intellectual property to the License Holder in exchange for annual exclusivity fees of US\$100,000 and the greater of US\$1.07 per each unit sold and quarterly license fee of US\$150,000.
- RealEstateCo leases the 30,000 square foot facility to the License Holder in exchange for monthly fees of US\$36,860 (which includes the base rent and payment of property tax amounts pursuant to the terms of the subleases).
- ServicesCo provides the services, which include staffing and human resources, bookkeeping and payroll, advertising and marketing, IT, and other consulting and advisory services, to the License Holder in exchange for a monthly fee of US\$251,000 for the services provided.

SCHEDULE "D"
AUDIT COMMITTEE CHARTER

(See attached)

AUDIT COMMITTEE CHARTER

(Approved by the Board of Directors on December 11, 2019)

New Leaf Ventures Inc.

AUDIT COMMITTEE CHARTER

1. PURPOSE

The main purpose of the Audit Committee (the **"Committee"**) of the Board of Directors (the **"Board"**) of New Leaf Ventures Inc. (the **"Company"**) is to assist the Board in fulfilling its statutory responsibilities in relation to internal control and financial reporting, and to carry out certain oversight functions on behalf of the Board, including the oversight of:

- (a) the integrity of the Company's financial statements and other financial information provided by the Company to securities regulators, governmental bodies and the public to ensure that the Company's financial disclosures are complete, accurate, in accordance with International Financial Reporting Standards (**"IFRS"**) as issued by the International Accounting Standards Board (**"IASB"**) and interpretations by the International Financial Reporting Interpretations Committee (**"IFRIC"**), and fairly present the financial position and risks of the Company;
- (b) assessing the independence, qualifications and performance of the Company's independent auditor (the **"Auditor"**), appointing and replacing the Auditor, overseeing the audit and non-audit services provided by the Auditor, and approving the compensation of the Auditor;
- (c) Senior Management (as defined below) responsibility for assessing and reporting on the effectiveness of internal controls;
- (d) financial matters and management of financial risks;
- (e) the prevention and detection of fraudulent activities; and
- (f) investigation of complaints and submissions regarding accounting or auditing matters and unethical or illegal behavior.

The Committee provides an avenue for communication between the Auditor, the Company's executive officers and other senior managers (**"Senior Management"**) and the Board, and has the authority to communicate directly with the Auditor. The Committee shall have a clear understanding with the Auditor that they must maintain an open and transparent relationship with the Committee. The Auditor is ultimately accountable to the Committee and the Board, as representatives of the Company's shareholders.

2. COMPOSITION

The Committee shall be comprised of three directors. Each Committee member shall:

- (a) satisfy the laws governing the Company;

- (b) be “independent” in accordance with Sections 1.4 and 1.5 of National Instrument 52-110 *Audit Committees (“NI 52-110”)*, which sections are reproduced in Appendix “A” of this charter; and
- (c) be “financially literate” in accordance with the definition set out in Section 1.6 of NI 52-110, which definition is reproduced in Appendix “A” of this charter.

For purposes of subparagraph (b) above, the position of non-executive Chair of the Board is considered to be an executive officer of the Company.

Committee members and the chair of the Committee (the “**Committee Chair**”) shall be appointed annually by the Board at the first Board meeting that is held after every annual general meeting of the Company’s shareholders. The Board may remove a Committee member at any time in its sole discretion by a resolution of the Board.

If a Committee member simultaneously serves on the audit committees of more than three public companies, the Committee shall seek the Board’s determination as to whether such simultaneous service would impair the ability of such member to effectively serve on the Committee and ensure that such determination is disclosed.

3. MEETINGS

The Committee shall meet at least once per financial quarter and as many additional times as the Committee deems necessary to carry out its duties effectively.

The Committee shall meet:

- (a) within 60 days following the end of each of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related management’s discussion and analysis (“**MD&A**”); and
- (b) within 120 days following the end of the Company’s fiscal year end to review and discuss the audited financial results for the year and related MD&A.

As part of its job to foster open communication, the Committee shall meet at least once each financial quarter with Senior Management and the Auditor in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

A majority of the members of the Committee shall constitute a quorum for any Committee meeting. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present or by unanimous written consent of the Committee members.

The Committee Chair shall preside at each Committee meeting. In the event the Committee Chair is unable to attend or chair a Committee meeting, the Committee will appoint a chair for that meeting from the other Committee members.

The Corporate Secretary of the Company, or such individual as appointed by the Committee, shall act as secretary for a Committee meeting (the “**Committee Secretary**”) and, upon receiving a request to convene a Committee meeting from any Committee member, shall arrange for such meeting to be held.

The Committee Chair, in consultation with the other Committee members, shall set the agenda of items to be addressed at each Committee meeting. The Committee Secretary shall ensure that the agenda and any supporting materials for each upcoming Committee meeting are circulated to each Committee member in advance of such meeting.

The Committee may invite such officers, directors and employees of the Company, the Auditor, and other advisors as it may see fit from time to time to attend at one or more Committee meetings and assist in the discussion and consideration of any matter. For purposes of performing their duties, members of the Committee shall, upon request, have immediate and full access to all corporate information and shall be permitted to discuss such information and any other matters relating to the duties and responsibilities of the Committee with officers, directors and employees of the Company, with the Auditor, and with other advisors subject to appropriate confidentiality agreements being in place.

Unless otherwise provided herein or as directed by the Board, proceedings of the Committee shall be conducted in accordance with the rules applicable to meetings of the Board.

4. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board and the Articles of the Company, in order to carry out its oversight responsibilities, the Committee shall:

4.1 Financial Reporting Process

- (a) Review with Senior Management and the Auditor any items of concern, any proposed changes in the selection or application of accounting principles and policies and the reasons for the change, any identified risks and uncertainties, and any issues requiring the judgement of Senior Management, to the extent that the foregoing may be material to financial reporting.
- (b) Consider any matter required to be communicated to the Committee by the Auditor under generally accepted auditing standards, applicable law and listing standards, if applicable, including the Auditor’s report to the Committee (and the response of Senior Management thereto) on:
 - (i) accounting policies and practices used by the Company;
 - (ii) alternative accounting treatments of financial information that have been discussed with Senior Management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the Auditor; and
 - (iii) any other material written communications between the Auditor and Senior Management.

- (c) Discuss with the Auditor their views about the quality, not just the acceptability, of accounting principles and policies used by the Company, including estimates and judgements made by Senior Management and their selection of accounting principles.
- (d) Discuss with Senior Management and the Auditor:
 - (i) any accounting adjustments that were noted or proposed (immaterial or otherwise) by the Auditor but were not reflected in the financial statements;
 - (ii) any material correcting adjustments that were identified by the Auditor in accordance with generally accepted accounting principles (“GAAP”) or applicable law;
 - (iii) any communication reflecting a difference of opinion between the audit team and the Auditor’s national office on material auditing or accounting issues raised by the engagement; and
 - (iv) any “management” or “internal control” letter issued, or proposed to be issued, by the Auditor to the Company.
- (e) Discuss with Senior Management and the Auditor any significant financial reporting issues considered during the fiscal period and the method of resolution, and resolve disagreements between Senior Management and the Auditor regarding financial reporting.
- (f) Review with Senior Management and the Auditor:
 - (i) any off-balance sheet financing mechanisms being used by the Company and their effect on the Company’s financial statements; and
 - (ii) the effect of regulatory and accounting initiatives on the Company’s financial statements, including the potential impact of proposed initiatives.
- (g) Review with Senior Management and the Auditor and legal counsel, if necessary, any litigation, claim or other contingency, including tax assessments, that could have a material effect on the financial position or operating results of the Company, and the manner in which these matters have been disclosed or reflected in the financial statements.
- (h) Review with the Auditor any audit problems or difficulties experienced by the Auditor in performing the audit, including any restrictions or limitations imposed by Senior Management, and the response of Senior Management, and resolve any disagreements between Senior Management and the Auditor regarding these matters.
- (i) Review the results of the Auditor’s work, including findings and recommendations, Senior Management’s response, and any resulting changes in accounting practices or policies and the impact such changes may have on the financial statements.

- (j) Review and discuss with Senior Management the audited annual financial statements and related MD&A and make recommendations to the Board with respect to approval thereof before their release to the public.
- (k) Review and discuss with Senior Management and the Auditor all interim unaudited financial statements and related interim MD&A.
- (l) Approve interim unaudited financial statements and related interim MD&A prior to their filing and dissemination.
- (m) In connection with Sections 4.1 and 5.1 of National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109")*, obtain confirmation from the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**") (and considering the Auditor's comments, if any, thereon) to their knowledge:
 - (i) that the audited financial statements, together with any financial information included in the annual MD&A and annual information form, fairly present in all material respects the Company's financial condition, financial performance and cash flows; and
 - (ii) that the interim financial statements, together with any financial information included in the interim MD&A, fairly present in all material respects the Company's financial condition, financial performance and cash flows.
- (n) Review news releases to be issued in connection with the audited annual financial statements and related MD&A and the interim unaudited financial statements and related interim MD&A, before being disseminated to the public, if the Company is required to do so under applicable securities laws, paying particular attention to any use of "pro-forma" or "adjusted" non-GAAP, information.
- (o) Review any news release containing earnings guidance or financial information based upon the Company's financial statements prior to the release of such statements, if the Company is required to disseminate such news releases under applicable securities laws.
- (p) Review the appointment of the CFO and have the CFO report to the Committee on the qualifications of new key financial personnel involved in the financial reporting process.

4.2 Internal Controls

- (a) Consider and review with Senior Management and the Auditor the adequacy and effectiveness of internal controls over accounting and financial reporting within the Company and any proposed significant changes in them.
- (b) Consider and discuss any Auditor's comments on the Company's internal controls, together with Senior Management responses thereto.

- (c) Discuss, as appropriate, with Senior Management and the Auditor any major issues as to the adequacy of the Company's internal controls and any special audit steps in light of material internal control deficiencies.
- (d) Review annually the disclosure controls and procedures.
- (e) Receive confirmation from the CEO and the CFO of the effectiveness of disclosure controls and procedures, and whether there are any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information or any fraud, whether or not material, that involves Senior Management or other employees who have a significant role in the Company's internal control over financial reporting. In addition, receive confirmation from the CEO and the CFO that they are prepared to sign the annual and quarterly certificates required by Sections 4.1 and 5.1 of NI 52-109, as amended from time to time.

4.3 The Auditor

Qualifications and Selection

- (a) Subject to the requirements of applicable law, be solely responsible to select, retain, compensate, oversee, evaluate and, where appropriate, replace the Auditor. The Committee shall be entitled to adequate funding from the Company for the purpose of compensating the Auditor for authorized services.
- (b) Instruct the Auditor that:
 - (i) they are ultimately accountable to the Board and the Committee, as representatives of shareholders; and
 - (ii) they must report directly to the Committee.
- (c) Ensure that the Auditor have direct and open communication with the Committee and that the Auditor meet with the Committee once each financial quarter without the presence of Senior Management to discuss any matters that the Committee or the Auditor believe should be discussed privately.
- (d) Evaluate the Auditor's qualifications, performance, and independence. As part of that evaluation:
 - (i) at least annually, request and review a formal report by the Auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues;

- (ii) annually review and confirm with Senior Management and the Auditor the independence of the Auditor, including all relationships between the Auditor and the Company, including the amount of fees received by the Auditors for the audit services, the extent of non-audit services and fees therefor, the extent to which the compensation of the audit partners of the Auditor is based upon selling non-audit services, the timing and process for implementing the rotation of the lead audit partner, reviewing partner and other partners providing audit services for the Company, and whether there should be a regular rotation of the audit firm itself; and
- (iii) annually review and evaluate senior members of the audit team of the Auditor, including their expertise and qualifications. In making this evaluation, the Committee should consider the opinions of Senior Management.

Conclusions on the independence of the Auditor should be reported by the Committee to the Board.

- (e) Approve and review, and verify compliance with, the Company's policies for hiring of employees and former employees of the Auditor and former auditors. Such policies shall include, at minimum, a one-year hiring "cooling off" period.

Other Matters

- (a) Meet with the Auditor to review and approve the annual audit plan of the Company's financial statements prior to the annual audit being undertaken by the Auditor, including reviewing the year-to-year co-ordination of the audit plan and the planning, staffing and extent of the scope of the annual audit. This review should include an explanation from the Auditor of the factors considered by the Auditor in determining their audit scope, including major risk factors. The Auditor shall report to the Committee all significant changes to the approved audit plan.
- (b) Review and pre-approve all audit and non-audit services and engagement fees and terms in accordance with applicable law, including those provided to the Company's subsidiaries by the Auditor or any other person in its capacity as independent auditor of such subsidiary. Between scheduled Committee meetings, the Committee Chair, on behalf of the Committee, is authorized to pre-approve any audit or non-audit services and engagement fees and terms up to \$50,000. At the next Committee meeting, the Committee Chair shall report to the Committee any such pre-approval given.
- (c) Establish and adopt procedures for such matters.

4.4 Compliance

- (a) Monitor compliance by the Company with all payments and remittances required to be made in accordance with applicable law, where the failure to make such payments could render the Company's directors personally liable.

- (b) Receive regular updates from Senior Management regarding compliance with laws and regulations and the process in place to monitor such compliance, excluding, however, legal compliance matters subject to the oversight of the Corporate Governance and Nominating Committee of the Board (if any). Review the findings of any examination by regulatory authorities and any observations by the Auditor relating to such matters.
- (c) Establish and oversee the procedures in the Company's Whistleblower Policy to address:
 - (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting or auditing matters or unethical or illegal behaviour; and
 - (ii) confidential, anonymous submissions by employees of concerns regarding questionable accounting and auditing matters or unethical or illegal behaviour.
- (d) Ensure that political and charitable donations conform with policies and budgets approved by the Board.
- (e) Monitor management of hedging, debt and credit, make recommendations to the Board respecting policies for management of such risks, and review the Company's compliance therewith.
- (f) Approve the review and approval process for the expenses submitted for reimbursement by the CEO.
- (g) Oversee Senior Management's mitigation of material risks within the Committee's mandate and as otherwise assigned to it by the Board.

4.5 Financial Oversight

- (a) Assist the Board in its consideration and ongoing oversight of matters pertaining to:
 - (i) capital structure and funding including finance and cash flow planning;
 - (ii) capital management planning and initiatives;
 - (iii) property and corporate acquisitions and divestitures including proposals which may have a material impact on the Company's capital position;
 - (iv) the Company's annual budget;
 - (v) the Company's insurance program;
 - (vi) directors' and officers' liability insurance and indemnity agreements; and
 - (vii) matters the Board may refer to the Committee from time to time in connection with the Company's capital position.

4.6 Other

- (a) Perform such other duties as may be assigned to the Committee by the Board.
- (b) Annually review and assess the adequacy of its charter and recommend any proposed changes to the Corporate Governance and Nominating Committee (if any).
- (c) Review its own performance annually, and provide the results of such evaluation to the Board for its review.

5. AUTHORITY

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to:

- a. select, retain, terminate, set and approve the fees and other retention terms of special or independent counsel, accountants or other experts, as it deems appropriate; and
- b. obtain appropriate funding to pay, or approve the payment of, such approved fees, without seeking approval of the Board or Senior Management.

6. ACCOUNTABILITY

The Committee Chair shall make periodic reports to the Board, as requested by the Board, on matters that are within the Committee's area of responsibility.

The Committee shall maintain minutes of its meetings with the Company's Corporate Secretary and shall provide an oral report to the Board at the next Board meeting that is held after a Committee meeting.

Appendix "A"

Definitions from National Instrument 52-110 Audit Committees

Section 1.4 *Meaning of Independence*

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
 - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
 - (c) an individual who:
 - (i) is a partner of a firm that is the issuer's internal or external auditor,
 - (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
 - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the issuer's internal or external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
 - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and
 - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.

- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because
 - (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or
 - (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
 - (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
 - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
 - (a) has previously acted as an interim chief executive officer of the issuer, or
 - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
- (8) For the purpose of Section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

Section 1.5 Additional Independence Requirements

- (1) Despite any determination made under Section 1.4, an individual who
 - (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
 - (b) is an affiliated entity of the issuer or any of its subsidiary entities, is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by

- (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
 - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.
- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

Section 1.6 *Meaning of Financial Literacy*

For the purposes of this Instrument, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements.

CERTIFICATE OF THE CORPORATION

Dated: December 13, 2019

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the Provinces of British Columbia, Alberta and Ontario.

(signed) "Michael Stier"
Chief Executive Officer

(signed) "Randy Minhas"
Chief Financial Officer

On Behalf of the Board of Directors

(signed) "Don Currie"
Director

(signed) "Chris Cooper"
Director

CERTIFICATE OF PROMOTER

Dated: December 13, 2019

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the Provinces of British Columbia, Alberta and Ontario.

(signed) "Michael Stier"
Michael Stier

CERTIFICATE OF THE AGENT

Dated: December 13, 2019

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the Provinces of British Columbia, Alberta and Ontario.

MACKIE RESEARCH CAPITAL CORP.

(signed) "Jovan Stupar"

By: Jovan Stupar
Managing Director