

NEW LEAF VENTURES INC.
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Unaudited - Expressed in Canadian Dollars)

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New Leaf Ventures Inc.
Condensed Interim Financial Statements
For the Three Months Ended March 31, 2020

The accompanying unaudited condensed interim financial statements of New Leaf Ventures Inc. for the three months ended March 31, 2020 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the condensed consolidated interim financial statements by an entity's auditor.

New Leaf Ventures Inc.Condensed Interim Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

	As at	March 31,	December 31,
	Note(s)	2020	2019
		\$	\$
ASSETS			
Current assets			
Cash		717,458	80,150
Amounts receivable	4	86,207	80,134
Prepaid deposits		30,750	30,750
TOTAL ASSETS		834,415	191,034
LIABILITIES			
Current liabilities			
Accounts payable and accrual liabilities	6	756,696	587,798
TOTAL LIABILITIES		756,696	587,798
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	5	736,251	736,251
Share options reserve	5	66,695	34,338
Share subscription received	1	686,343	40,000
Accumulated deficit		(1,411,570)	(1,207,353)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		77,719	(396,764)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		834,415	191,034
Nature and continuance of operations	1		
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These condensed interim financial statements were approved for issue by the Board of Directors and signed on its behalf by:

/s/ Don Currie Director/s/ Chris Cooper Director

New Leaf Ventures Inc.Condensed Interim Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

		For the Three Months Ended	
		March 31,	March 31,
		2020	2019
	Note(s)	\$	\$
Expenses			
Communication fees		7,430	-
Consulting fees	5, 6	12,000	10,500
Directors' fees	6	6,000	-
General and administrative costs		183	328
Professional fees		138,287	6,719
Share-based compensation	5	32,357	-
		(196,257)	(17,547)
Other expenses			
Foreign exchange loss		(7,960)	(112)
		(7,960)	(112)
Total loss and comprehensive loss		(204,217)	(17,659)
Basic and diluted loss per share for the year attributable to common shareholders		(0.02)	(0.00)
Weighted average number of common shares outstanding - basic and diluted		12,645,000	4,400,200

See accompanying notes to these condensed interim financial statements.

New Leaf Ventures Inc.Condensed Interim Statements of Shareholders' Equity (Deficiency)
(Unaudited - Expressed in Canadian Dollars)

		Share capital					
	Note(s)	Number of shares	Amount	Share subscription received	Share options reserve	Accumulated deficit	Total
Balance as at December 31, 2018		200	1	-	-	(36,250)	(36,249)
Shares issued for cash - private placement	5	12,000,000	600,000	-	-	-	600,000
Share issue costs	5	-	(25,000)	-	-	-	(25,000)
Net loss for the period		-	-	-	-	(17,659)	(17,659)
Balance as at March 31, 2019		12,000,200	575,001	-	-	(53,609)	521,092
Cancellation of incorporator's shares	5	(200)	-	-	-	-	-
Shares issued for restricted share rights	5	500,000	125,000	-	-	-	125,000
Settlement of the loan payable	5	145,000	36,250	-	-	-	36,250
Subscriptions received in advance	1	-	-	40,000	-	-	40,000
Share-based payments	5	-	-	-	34,338	-	34,338
Net loss for the period		-	-	-	-	(1,153,444)	(1,153,444)
Balance as at December 31, 2019		12,645,000	736,251	40,000	34,338	(1,207,353)	(396,764)
Subscriptions received in advance		-	-	646,343	-	-	646,343
Share-based compensation	5	-	-	-	32,357	-	32,357
Net loss for the period		-	-	-	-	(204,217)	(204,217)
Balance as at March 31, 2020		12,645,000	736,251	686,343	66,695	(1,411,570)	77,719

See accompanying notes to these condensed interim financial statements.

New Leaf Ventures Inc.Condensed Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

	For the three months ended	
	March 31, 2020	March 31, 2019
	\$	\$
Cash flows from		
OPERATING ACTIVITIES		
Net loss for the period	(204,217)	(17,659)
Items not affecting cash		
Share-based compensation	32,357	-
Change in non-cash working capital		
Amounts receivable	(6,073)	-
Prepaid expenses	-	(82,250)
Accounts payable and accrual liabilities	168,898	-
Cash flow used in operating activities	(9,035)	(99,909)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	-	600,000
Share issue costs	-	(25,000)
Subscriptions received in advance	646,343	-
Cash flow from financing activities	646,343	575,000
Increase in cash	637,308	475,091
Cash, beginning of period	80,150	1
Cash, end of period	717,458	475,092
Supplementary cash flow information		
Cash paid during the year for interest	-	-
Cash paid during the year for income taxes	-	-

See accompanying notes to these condensed interim financial statements.

New Leaf Ventures Inc.

Notes to the Condensed Interim Financial Statements

For the three months ended March 31, 2020

(Unaudited - Expressed in Canadian Dollars)

1. NATURE 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.

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 March 31, 2020 the Company had a working capital of \$77,719 (December 31, 2019 – Working capital deficiency of \$396,764) and an accumulated deficit of \$1,411,570 (December 31, 2019 - \$1,207,353). 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.

Acquisition Transaction

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”). As a result of the completion of the Acquisition Transaction on May 1, 2020, the New Leaf USA Entities are now the core business 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.

To complete the Acquisition Transaction, the Company:

- Issued 9,000,000 shares; and
- Issued 4,000,000 performance warrants (“Performance Warrants”).

Each Performance Warrant entitles 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 New Leaf Enterprises, Inc. (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 entered into employment agreements, pursuant to which Robert Colwell is appointed to act as Chief Executive Officer of New Leaf USA, and Boris Gorodnitsky is 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 issued 1,829,338 common shares to each of Boris Gorodnitsky and Robert Colwell.

New Leaf Ventures Inc.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS (CONTINUED)

Acquisition Transaction (continued)

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 hold assets, comprised of real estate leases, equipment and other tangible and intangible assets, including intellectual property (“IP”) (collectively the “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

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS (CONTINUED)

Initial Public Offering

Pursuant to an agency agreement (the “Agency Agreement”) between the Company and Mackie Research Capital Corporation (the “Agent”) the Company agreed to sell, and the Agent agreed to offer on a best efforts basis, 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”). Each Unit would 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 allocated \$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 Company 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 has agreed to 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 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 May 1, 2020, the Company closed a first tranche of the Offering, by issuing 4,768,871 Units, for aggregate gross proceeds of approximately \$1,192,217. The Company’s common shares also commenced trading on the Canadian Securities Exchange (the “CSE”) on May 1, 2020 (See note 10).

COVID-19

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business, ability to raise funds and the completion of the proposed transactions.

New Leaf Ventures Inc.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 Interim Financial Reporting.

The condensed interim financial statements do not include all of the information required for annual consolidated financial statements and should be read in conjunction with the annual audited financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS, as issued by the IASB.

The condensed interim financial statements were authorized for issue by the Board of Directors on June 1, 2020.

Basis of Measurement

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 all years presented in these financial statements.

Critical accounting estimates

The information about significant areas of estimation uncertainly considered by management in preparing the financial statements are as follows:

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 once the Company completed the proposed transaction. 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.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

New Leaf Ventures Inc.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION (CONTINUED)

Critical accounting judgments

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Determination of going concern (note 1)

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

Determination of functional currency

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Company is Canadian dollar, as this is the currency of the primary economic environment in which the Company operates.

3. SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim financial statements follow the same accounting policies and methods of application as the annual audited consolidated financial statements for the year ended December 31, 2013.

4. AMOUNTS RECEIVABLE

	March 31, 2020	December 31, 2019
	\$	\$
Harmonized sales tax receivable and value-added tax receivable	37,817	31,744
Other receivables	48,390	48,390
	86,207	80,134

During the year ended December 31, 2019, the Company settled certain payables in cash on behalf of the License Holder, the amount of \$48,390 was recognized as amounts receivable. The amount remains receivable as at March 31, 2020.

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 March 31, 2020, the Company had 12,645,000 common shares issued and outstanding (December 31, 2019 – 12,645,000) with a value of \$736,251 (December 31, 2019 – \$736,251).

During the three months ended March 31, 2020

- The Company did not issue any common shares.
- The Company received \$646,343 in advanced subscriptions during the three months ended March 31, 2020 for total subscriptions of \$686,343 as at March 31, 2020 (December 31, 2019 - \$40,000).

New Leaf Ventures Inc.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (CONTINUED)

Issued share capital (continued)

During the year ended December 31, 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 time prior to February 26, 2021. No value was assigned to the warrants. In connection with the private placement, the Company incurred \$25,000 in share issuance costs.
- 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 common shares with a fair value of \$125,000 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.

Warrants

The changes in warrants during the three months ended March 31, 2020 and the year ended December 31, 2019 are as follows:

	March 31, 2020		December 31, 2019	
	Number outstanding	Weighted average exercise price (\$)	Number outstanding	Weighted average exercise price (\$)
Balance, beginning of period	12,000,000	0.05	-	-
Issued	-	-	12,000,000	0.05
Balance, end of period	12,000,000	0.05	12,000,000	0.05

The following summarizes information about warrants outstanding at March 31, 2020:

Expiry date	Exercise price (\$)	Warrants outstanding	Estimated grant date fair value (\$)	Weighted average remaining contractual life (in years)
February 26, 2021	0.05	12,000,000	-	0.91

New Leaf Ventures Inc.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (CONTINUED)

Equity incentive plan

The Company implemented an Equity Incentive Plan (the "EIP") which provides for the grant to eligible directors and employees (including officers) of share options and Restricted Share Rights ("RSR"). The EIP also provides for the grant to eligible directors of Deferred Share Units ("DSU") which the directors are entitled to redeem for 90 days following retirement or termination from the Board of the Company (the "Board").

• Share options

The EIP authorizes the Board to grant options to eligible directors and employees (including officers). The number of options, the exercise price per option, the vesting period and any other terms and conditions of options granted from time to time pursuant to the EIP, are determined by the Board at the time of the grant, subject to the defined parameters of the EIP.

The changes in share options during the three months ended March 31, 2020 and the year ended December 31, 2019 are as follows:

	March 31, 2020		December 31, 2019	
	Number outstanding	Weighted average exercise price (\$)	Number outstanding	Weighted average exercise price (\$)
Balance, beginning of period	500,000	0.25	-	-
Granted		-	500,000	0.25
Balance, end of period	500,000	0.25	500,000	0.25

During the three months ended March 31, 2020

The Company did not grant any share options.

During the year ended December 31, 2019

- 500,000 share options of which 250,000 share options issued to Chris Cooper and 250,000 share 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 estimated grant date fair value of the options granted during the year ended December 31, 2019 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.50%
Expected annual volatility	100%
Expected life (in years)	5.00
Expected dividend yield	0%
Grant date fair value per option (\$)	0.19
Share price at grant date (\$)	0.25

During the three months ended March 31, 2020 ended, the Company recognized share-based payments expense of \$32,357 (Three months ended March 31, 2019 – \$nil) related to the share options issued during the year ended December 31, 2019.

New Leaf Ventures Inc.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

5. SHARE CAPITAL (CONTINUED)

Equity incentive plan (continued)

- **Stock options (continued)**

The following summarizes information about stock options outstanding and exercisable at March 31, 2020:

Expiry date	Exercise price (\$)	Options outstanding	Options exercisable	Estimated grant date fair value (\$)	Weighted average remaining contractual life (in years)
November 14, 2024	0.25	500,000	125,000	93,274	4.63
Weighted average exercise price (\$)		0.25	0.25		

- **RSR**

The EIP 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 of the Company as a discretionary payment in consideration of past services or as an incentive for future services. The terms including the vesting period of the RSRs are determined at the sole discretion of the Board.

On November 14, 2019, 500,000 fully-vested RSRs were granted in lieu of \$125,000 in consulting fees owing to Mike Stier. These RSRs were subsequently settled by the issuance of 500,000 common shares of the Company. During the period ended March 31, 2020, the Company did not issue any RSRs and there are no RSRs outstanding as at the date of this MD&A.

- **DSU**

The EIP authorizes the Board to grant DSUs, in its sole and absolute discretion in a lump sum amount or on regular intervals to eligible directors of the Company.

During the period ended March 31, 2020, the Company did not issue any DSUs and there are no DSUs outstanding as at the date of this MD&A.

New Leaf Ventures Inc.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS AND BALANCES

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.

Total compensation of key company personnel for the three months ended March 31, 2020 and 2019 is as follows:

	For the three months ended March 31, 2020	For the three months ended March 31, 2019
	\$	\$
Directors' fees	6,000	-
Consulting fees	12,000	-
Share-based payments	32,357	-
	50,357	-

During the months ended March 31, 2020, the Company incurred consulting fees of \$12,000 (Three months ended March 31, 2019 - \$Nil) to AMBE Holdings Ltd. which is controlled by the CEO of the Company.

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were \$18,000 as at March 31, 2020 (December 31, 2019 - \$6,000).

7. SEGMENTED INFORMATION

The Company operates in one reportable segment (note 1). All of the Company's assets are located in Canada.

8. CAPITAL MANAGEMENT

The Company defines its components of equity (deficiency) 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 three months ended March 31, 2020. The Company is not subject to externally imposed capital requirements.

New Leaf Ventures Inc.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS

Fair value

The carrying values of amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the short period to maturity of those financial instruments.

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 March 31, 2020 and December 31, 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.

Set out below are the Company's financial assets and financial liabilities by category:

	March 31, 2020	FVTPL \$	Amortized costs \$	FVTOCI \$
ASSETS				
Cash	717,458	717,458	-	-
Amounts receivable	86,207	-	86,207	-
LIABILITIES				
Accounts payable and accrual liabilities	756,696	-	756,696	-

	December 31, 2019	FVTPL \$	Amortized costs \$	FVTOCI \$
ASSETS				
Cash	80,150	80,150	-	-
Amounts receivable	80,134	-	80,134	-
LIABILITIES				
Accounts payable and accrual liabilities	587,798	-	587,798	-

New Leaf Ventures Inc.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

9. 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. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amount receivable. The carrying amount of financial assets represents the maximum credit exposure.

The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions.

The Company is exposed to concentration of credit risk on the amount receivables related to the License Holder.

As at March 31, 2020, the Company determined that it 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 of March 31, 2020, the Company had cash and accounts payable and accrual liabilities of \$717,458 and \$756,696, respectively. 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.

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 has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash, amounts receivable and accounts payable and accrued liabilities are held in Canadian Dollars ("CAD") and US Dollars ("USD"); therefore, USD accounts are subject to fluctuation against the Canadian dollar.

New Leaf Ventures Inc.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

9. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management (continued)

- **Market risk (continued)**

The Company had the following balances in foreign currency as at March 31, 2020:

	CA\$	US\$
-		
Cash	717,458	-
Amounts receivable	86,207	-
Accounts payable and accrual liabilities	(651,129)	(74,411)
	152,536	(74,411)
Rate to convert to \$1.00 CA\$	1.0000	1.4187
Equivalent to CA\$	152,536	(105,567)

Based on the above net exposures as at March 31, 2020, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD would increase/decrease comprehensive loss by \$7,400.

10. SUBSEQUENT EVENTS

Subsequent to March 31, 2020

- The Company completed the Acquisition Transaction (see note 1); and
- The Company issued 4,768,871 Units for aggregate gross proceeds of approximately \$1,192,217 (see note 1).