BUSINESS ACQUISITION REPORT
(the "Report")

Item 1 Identity of Company

1.1 Name and Address of Company

New Leaf Ventures Inc. (the "**Company**")
2200-885 West Georgia Street, Vancouver, BC V6C 3E8.

1.2 Executive Officer

Michael Stier, Chief Executive Officer & President of the Company, is an executive office of the Company who is knowledgeable about the significant acquisition and this Report, and can be contacted by telephone at (778) 930-1321.

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

New Leaf USA Inc. ("**New Leaf USA**"), is a private company incorporated pursuant to the laws of the State of Washington, which through its wholly-owned subsidiaries, provides licenses, consulting services, real property, intellectual property and equipment for lease and ancillary services to a Washington-based Tier 3 Producer/Processor focused on cultivating, growing, processing, packaging, and distributing cannabis and cannabis related products.

On September 13, 2019, the Company entered into a share purchase agreement (the "**Share Purchase Agreement**") with New Leaf USA and the vendors of New Leaf USA (the "**Vendors**"), pursuant to which, and subject to the terms and conditions of the Share Purchase Agreement, the Company agreed to acquire all of the issued and outstanding shares of New Leaf USA (the "**New Leaf USA Shares**") and its subsidiaries.

For the purposes of go-forward accounting treatment, New Leaf USA is considered the acquired company.

2.2 Acquisition Date

The acquisition of New Leaf USA and its subsidiaries (the "**Acquisition**") was completed on May 1, 2020 (the "**Closing Date**").

2.3 Consideration

On the Closing Date, the Corporation acquired 100% of the issued and outstanding New Leaf USA Shares. As consideration for the New Leaf USA Shares, the Company issued 9,000,000 common shares of the Company (the "**Common Shares**") to the Vendors, on a pro-rata basis; and 4,000,000 performance warrants (the "**Performance Warrants**") to the Vendors, on a pro-rata basis.

Each Performance Warrant entitles 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 New Leaf Enterprises Inc. (the "**License Holder**") or the Company (or any successor thereof) achieves at least $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 Company (or any successor thereof) achieves at least $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.

2.4 Effect on Financial Position

Upon completion of the Acquisition, New Leaf USA and its subsidiaries became wholly-owned subsidiaries of the Company, and through which the Company now provides consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to the License Holder.

The Company does not have any current plans or proposals to sell, lease or exchange all or a substantive part of its assets, to amalgamate its business or make any other material change in its business or corporate structure.

In connection with the Acquisition, the board of directors of the Company was reconstituted and is currently comprised of the following: Don Currie, Chris Cooper, Lee White, Boris Gorodnitsky and Robert Colwell.

2.5 Prior Valuations

To the knowledge of the Company there has not been any valuation opinions obtained within the last 12 months by New Leaf USA or the Company required by securities legislation or a Canadian exchange or market to support the consideration paid by the Company in connection with the Acquisition.

2.6 Parties to Transaction

The Acquisition was not with an "informed person" (as such term is defined in Section 1.1 of National Instrument 51-102 – *Continuous Disclosure Obligations*), associate or affiliate of the Company.

2.7 Date of Report

September 8, 2020

Item 3 Financial Statements and Other Information

Financial statements which are incorporated by referenced into this Report are listed below:

(a) The audited consolidated financial statements of the Company for the fiscal years ended December 31, 2019 and 2018 together with the auditor's report thereon and notes thereto; and

(b) The unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2020 together with the notes thereto.

The auditors of the Company have not given their consent to include their audit report in the financial statements referenced in a above in this Report.

Financial statements and other information which are attached as Schedule "A" and form part of this Report are listed below:

(a) The audited consolidated financial statements of New Leaf USA for the fiscal year ended December 31, 2019 together with the auditor's report thereon and notes thereto; and

(b) The unaudited condensed interim consolidated financial statements of New Leaf USA the three months ended March 31, 2020 together with the notes thereto.

The auditors of New Leaf USA have not given their consent to include their audit report in the financial statements referenced in a above in this Report.

FORWARD-LOOKING INFORMATION

This business acquisition report contains statements and information that, to the extent that they are not historical fact, may constitute "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information may include financial and other projections, as well as statements regarding future plans, objectives or economic performance, or the assumption underlying any of the foregoing. In some cases, forward-looking statements can *be identified by terms such as "may", "would", "could", "will", "likely", "except", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", "outlook", or the negative thereof or other similar expressions concerning matters that are not historical facts. Examples of such statements include, but are not limited to, statements with respect to the objectives and business plans of the Company; ability to realize benefits from its recent corporate appointments; ability to retain its key personnel; the intention to grow the Company's business and operations; the competitive conditions of the industries in which the Company operates; and laws and any amendments thereto applicable to the Company.*

Forward-looking information is based on the assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by the forward-looking information, including, without limitation, risks relating to the future business plans of the Company; risks that the Company will not be able to retain its key personnel; risks that the Company will not be able to secure financing on reasonable terms or at all, as well as all of the other risks as described in the Company's management discussion and analysis for year ended December 31, 2019 under the heading "Risks and Uncertainties". Accordingly, readers should not place undue reliance on any such forward-looking information. Further, any forward-looking information speaks only as of the date on which such statement is made. New factors emerge from time to time, and it is not possible for the Company's management to predict all of such factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking information. The Company does not undertake any obligation to update any forward-looking information to reflect information or events after the date on which it is made or to reflect the occurrence of unanticipated events, except as required by law, including securities laws.

SCHEDULE "A"

Please see attached.

New Leaf USA, Inc.

Consolidated Financial Statements

For the Period of Incorporation On
May 2, 2019 to December 31, 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 December 31, 2019, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the period from incorporation on May 2, 2019 to December 31, 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 December 31, 2019, and its financial performance and its cash flows for the year then ended 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that there are events and conditions such as reaching profitability, which may 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 consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Business Acquisition Report 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 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

September 4, 2020

New Leaf USA, Inc.
Consolidated Statement of Financial Position
(Expressed in United States Dollars)

	Note	As at December 31, 2019
Assets		
Current assets		
Cash		$ 2
Accrued interest receivable	8	83,310
Due from related party	6	70,012
Current portion of long-term receivables	8	94,763
Total current assets		248,087
Non-current assets		
Leases receivable	8	2,167,692
Intangible assets	4	1,259,375
Equipment	3	753,622
Lease deposits	5	55,258
Total other assets		4,235,947
Total assets		$ 4,484,034
Liabilities & equity		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities		$ 1,818
Accrued interest payable	8	83,310
Current portion of lease obligations	8	94,763
Current portion of notes payable	6	222,249
Current portion of deferred gain	9	156,862
Total current liabilities		559,002
Long-term		
Notes payable	6	1,464,898
Lease obligation	8	2,167,692
Deferred gain	9	248,365
Security deposits	7	12,000
Total non-current liabilities		3,892,955
Total liabilities		4,451,957
Equity		
Share capital	10	2
Retained earnings		32,075
Total equity		32,077
Total liabilities & equity		$ 4,484,034

Nature of operations and continuance of operations (note 1)
Segmented Information (note 11)
Subsequent Events (note 15)

Approved on behalf of the Board:

/s/ Robert Colwell *//s/ Chris Cooper*

The accompanying notes are an integral part of these consolidated financial statements.

New Leaf USA, Inc.
Consolidated Statement of Income and Comprehensive Income
(Expressed in United States Dollars)

	Note		Period from Incorporation on May 2, 2019 to December 31, 2019
Revenues	6	$	113,789
Expenses			
Depreciation expense	3		17,807
Amortization of intellectual property	4		40,625
Miscellaneous			779
Total expenses			59,211
Other items			
Accretion expense	6	$	(61,719)
Amortization of deferred gain	9		39,216
Interest Income	8		83,310
Interest Expense	8		(83,310)
Net and Comprehensive income		$	32,075
Basic and diluted earnings per share for the period		$	16,038
Weighted average number of common shares outstanding - basic and diluted			2

The accompanying notes are an integral part of these consolidated financial statements.

New Leaf USA, Inc.
Consolidated Statement of Changes in Equity
(Expressed in United States Dollars)

		Share Capital						
	Note	**Number of shares**		**Amount**		**Retained earnings**		**Total**
Balance at May 2, 2019		**2**	**$**	**2**	**$**	**-**	**$**	**2**
Net income for the period		**-**	**$**	**-**	**$**	**32,075**	**$**	**32,075**
Balance at December 31, 2019	**10**	**2**	**$**	**2**	**$**	**32,075**	**$**	**32,077**

The accompanying notes are an integral part of these consolidated financial statements.

New Leaf Enterprises, Inc.
Consolidated Statement of Cash Flows
(Expressed in United States Dollars)

	Note	Period from Incorporation on May 2, 2019 to December 31, 2019
Cash flow provided from Operations		
OPERATING ACTIVITIES		
Net income for the period		**$ 32,075**
Adjustments for items not affecting cash:		
Amortization of intellectual property	**4**	40,625
Depreciation of property and equipment	**3**	17,807
Accrued licensing fees	**6**	(95,789)
Accrued equipment lease fees	**6**	(18,000)
Accretion expense	**6**	61,719
Amortization of deferred gain	**9**	(39,216)
Change in non-cash working capital		
Accounts payable and accrued liabilities		1,818
Due from related party		(1,039)
Cash flow from operating activities		**-**
FINANCING ACTIVITIES		
Proceeds from share issuance		2
Cash flow from financing activities		**2**
Increase in cash		2
Cash, beginning of period		-
Cash, end of period		**$ 2**
Cash received during the period from interest		**-**
Cash paid during the period for income tax		**-**

Supplemental Cash Flow Information:

During the period from incorporation on May 2, 2019 to December 31, 2019, the Company entered into the following non-cash transactions:

Acquisition of equipment	$ 771,429
Acquisition of intangibles	1,300,000
Acquisition of Right of Use asset and Sublease	2,262,455
Deferred Gain	444,443
Equipment additions included in due to related party	1,558

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS 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 business of leasing out its production equipment and licensing its intellectual property while also identifying, evaluating and negotiating additional 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").

During the period from incorporation to December 31, 2019, the Company, through its wholly owned subsidiaries, acquired various equipment, intangible assets and assumed leases from New Leaf Enterprises Inc (the "License Holders"), a related party. The Company subsequently entered into lease agreements as the lessor whereby the Company leases the equipment, intangible assets and lease to the License Holder as disclosed in Notes 3, 4, 6 and 8.

These consolidated 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 period ended December 31, 2019, the Company had net income of $32,075. 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 conditions may cast significant doubt about the Company's ability to continue as a going concern.

These financial statements of the Company for the period from incorporation on May 2, 2019 to December 31, 2019 were approved by the Board of Directors on September 4, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION

Statement of compliance

These consolidated 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 (CONTINUED)

Basis of presentation

These consolidated financial statements have been presented in United States dollars on a historical cost basis except for financial instruments classified and measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

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:

- **Intangible assets**

  Intangible assets acquired are measured at fair value at the acquisition date. The Company must exercise judgment in identifying intangible assets, in determining their useful life, if any, and in testing for impairment.

- **Estimated useful lives and depreciation of equipment**
  Depreciation of 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 intangible 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.

- **Impairment of lease receivable**
  The valuation of allowance for uncollectable lease receivable requires assumptions including the estimated credit losses based on the Company's knowledge of the financial conditions of the counterparty, historical experience and general economic conditions.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION (CONTINUED)

Significant accounting policies (Continued)

- **Impairment of long-lived assets**
  Long-lived assets, including 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION (CONTINUED)

Significant accounting policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ("FVTPL"). The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities.

- **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.

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 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. .

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION (CONTINUED)

Significant accounting policies (continued)

Financial instruments (Continued)

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. The Company classifies its capital leases receivable as financial assets at amortized cost.

- **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 and notes payable 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.

- **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.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION (CONTINUED)

Significant accounting policies (continued)

Financial instruments (Continued)

- **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.

Equipment

Equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated using the following terms and methods:

Production equipment	Straight-line	2 to 20 years

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.

Intangible assets

Intangible assets are recorded at cost less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is provided on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values, and amortization methods are reviewed at each year end, and any changes in estimates are accounted for prospectively.

The Company amortizes its intangible assets over 8 years.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION (CONTINUED)

Significant accounting policies (continued)

Revenue

The Company recognizes revenue from the licensing of its intellectual property and the leasing of its equipment to the License Holder.

Revenue is 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 steps outlined above 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. Revenue is recognized when reasonableness of collection is assured.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. 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 year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. 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 which affect neither accounting nor taxable loss as well as 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. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. 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.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION (CONTINUED)

Significant accounting policies (continued)

<u>Leases</u>

The Company assesses whether a contract is a lease based on whether the contract conveys the right to control the use ("ROU") 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.

As Lessor

Leases for which the Company is a lessor, are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

<u>Earning per Share</u>

Basic income per share is calculated by dividing the net income for the period by the weighted average number of common shares issued and outstanding during the period. Diluted income per share is calculated by dividing the net income for the period by the weighted average number of common shares outstanding by assuming that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the year. Basic and diluted income per share are equal as the Company had not outstanding stock options or warrants as at December 31, 2019.

(Expressed in United States Dollars)

3. PROPERTY AND EQUIPMENT

		Production equipment		Total
Cost				
Balance as at May 2, 2019	$	-	$	-
Additions:				
Reorganization transaction		769,871		769,871
Additions		1,558		1,558
Balance as at December 31, 2019	**$**	**771,429**	**$**	**771,429**
Depreciation				
Balance as at May 2, 2019	**$**	**-**	**$**	**-**
Additions		17,807		17,807
Balance as at December 31, 2019	**$**	**17,807**	**$**	**17,807**
Net book value				
As at May 2, 2019	**$**	**-**	**$**	**-**
As at December 31, 2019	**$**	**753,622**	**$**	**753,622**

During the period from incorporation on May 2, 2019 to December 31, 2019, the Company acquired $769,871 in production equipment from the License Holder, a related party, in consideration for a note payable in the amount of $769,871.

The Company leases the production equipment to the License Holder in exchange for a monthly fee of $6,000 for a six-month term, expiring on March 31, 2020. The leases were subsequently extended for an additional six-month period upon expiration.

4. INTANGIBLE ASSETS

During the period from incorporation on May 2, 2019 to December 31, 2019, the Company acquired certain intangible assets from the License Holder, a related party (Note 1) for consideration of $1,300,000 in the form of a note payable. The intangible assets acquired consisted of intellectual property that includes of a package of trademarks, domains, trade secrets and brands.

		Intellectual Property		Total
Balance as at May 2, 2019	$	-	$	-
Additions:				
Reorganization transaction		1,300,000		1,300,000
Balance as at December 31, 2019	**$**	**1,300,000**	**$**	**1,300,000**
Amortization				
Balance as at May 2, 2019	**$**	**-**	**$**	**-**
Additions		40,625		40,625
Balance as at December 31, 2019	**$**	**40,625**	**$**	**40,625**
Net book value				
As at May 2, 2019	**$**	**-**	**$**	**-**
As at December 31, 2019	**$**	**1,259,375**	**$**	**1,259,375**

(Expressed in United States Dollars)

4. INTANGIBLE ASSETS (CONTINUED)

The Company leases the intangible assets to the License Holder (Note 1) in exchange for an annual exclusivity fee of $100,000 and the greater of $1.07 per each unit sold and a quarterly license fee of $150,000 for a period of six months, expiring March 31, 2020. The licensing agreements were subsequently extended for an additional six-month period upon expiration.

5. LEASE DEPOSITS

		As at December 31, 2019
Building lease	**$**	**55,258**

6. RELATED PARTY TRANSACTIONS

As outlined in Note 1, related party transactions consist of monthly transactions with the License Holder, who is related by way of common ownership. Key management include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management consist of executive and non-executive members of the Company's Board of Directors and corporate officers and/or companies controlled by those individuals. There was no remuneration attributed to key management during the period from incorporation on May 2, 2019 to December 31, 2019.

(i) Service Revenue

Transactions with License Holder		
Equipment lease revenue	$	18,000
Variable IP licensing fee		95,789
Total revenue for the period	**$**	**113,789**

Due from License Holder		
Total billings for the period	$	113,789
Lease deposit		12,000
Sales tax receivable		1,818
Less:		
Expenditures paid by the License Holder on behalf of the Company		(57,595)
Due from License Holder, as at December 31, 2019	**$**	**70,012**

(Expressed in United States Dollars)

6. RELATED PARTY TRANSACTIONS (CONTINUED)

(ii) Notes Payable

Balance, May 2, 2019	$	-
Additions		2,069,871
Deferred gain (Note 9)		(444,443)
Accretion expense		61,719
Notes payable, December 31, 2019	**$**	**1,687,147**
Current	$	**222,249**
Long-term	$	**1,464,898**

The notes payable are unsecured, bear an interest rate of 2.72% per annum and are for a period of two years commencing once the Company has closed an acquisition transaction as outlined in Note 9. The notes are to be paid in eight, equal, quarterly installments of $236,269.

The notes payables mature on August 31, 2022, with payments, inclusive of interest expense at the stated rate, as follows:

2020	$	472,538
2021		945,076
2022		708,807
		2,126,421
Amount representing interest		(56,550)
Principal balance of notes payable	**$**	**2,069,871**

7. SECURITY DEPOSITS

Balance as at May 2, 2019	**$**	**-**
Security deposit on leased equipment		12,000
Balance as at December 31, 2019	**$**	**12,000**

8. LEASES

(i) The Company as a Lessee:

During the period from incorporation on May 2, 2019 to December 31, 2019, the Company assumed a lease from the License Holder, a related party (Note 1) consisting of approximately a 30,000 square foot integrated cultivation facility located in Seattle, Washington. The Company subleased the facility to the License Holder and derecognized the right-of-use asset with a net book value of $2,262,455. In connection with the sublease, the Company recorded a lease receivable of $2,262,455 and a gain on sublease of $Nil.

(Expressed in United States Dollars)

8. LEASES (CONTINUED)

(i) The Company as a Lessee (continued):

The Company used 15% interest rate, its incremental borrowing rate to calculate the present value of the lease payments as well as to calculate the monthly accretion expense.

Cost:		Building and facilities
Balance, May 2, 2019	$	-
Additions		2,262,455
De-recognition on sublease		(2,262,455)
Balance, December 31, 2019	$	-

Accumulated Amortization:		
Balance, May 2, 2019	$	-
Additions		-
Balance, December 31, 2019	$	-

During the period from incorporation on May 2, 2019 to December 31, 2019, the Company recorded $nil and $nil in relation to short term and low value leases, respectively.

The Company continues to maintain its original leases with the landlords and has lease obligations as follows:

Lease Obligation Payable		**December 31, 2019**
Balance, May 2, 2019		**-**
Addition		2,262,455
Balance, December 31, 2019	$	**2,262,455**

The Company used a 15% interest rate, its incremental borrowing rate, to calculate the present value of the lease payments as well as to calculate the monthly interest expense. The Company recorded $83,310 interest expense during the period. As at December 31, 2019, no lease payments had been made and there were no adverse impacts on the status of the lease agreement.

Minimum lease payments receivable are as follows:

Minimum lease payments for each fiscal year:		
2020	$	522,841
2021		433,628
2022		448,110
2023		470,315
2024		491,281
2025 and thereafter		1,752,557
		4,118,732
Amount representing interest		(1,856,277)
Less: Current lease obligation		**(94,763)**
Long-term	$	**2,167,692**

(Expressed in United States Dollars)

8. LEASES (CONTINUED)

(ii) The Company as a Lessor:

Lease Receivable		**December 31, 2019**
Balance, May 2, 2019		-
Addition		2,262,455
Balance, December 31, 2019	$	**2,262,455**

The Company used a 15% interest rate, its incremental borrowing rate, to calculate the present value of the lease payments as well as to calculate the monthly interest income. The Company recorded $83,310 interest income during the period.

Minimum lease payments receivable are as follows:

Minimum lease payments recievable for each fiscal year:		
2020	$	522,841
2021		433,628
2022		448,110
2023		470,315
2024		491,281
2025 and thereafter		1,752,557
		4,118,732
Amount representing interest		(1,856,277)
Less: Current lease receivable		(94,763)
Long-term	$	**2,167,692**

During the period ended December 31, 2019, interest expense and interest income of $83,310 was charged to the statement of income and comprehensive income. The amounts were not collected from License Holder and the Company did not pay the interest as of December 31, 2019. The amounts are reported as accrued interest receivable and accrued interest payable.

(Expressed in United States Dollars)

9. DEFERRED GAIN

Balance, May 2, 2019	$	-
Additions (Notes 3 and 4)		444,443
Amortization of the deferred gain		(39,216)
Notes payable, December 31, 2019	**$**	**405,227**
Current	$	**156,862**
Long-term	$	**248,365**

During the period from incorporation on May 2, 2019 to December 31, 2019, the Company recognized a deferred gain representing the difference between the present value of the note's payables and the related assets, the intellectual property and equipment, in accordance with IFRS 9. The notes payables were issued at interest rates of 2.72% where as the Company's fair market incremental borrowing rate is 15% resulting in the present value of the notes payable differing form the transaction price. The deferred gain is being amortized over the life of the notes payable (Note 8).

10. SHARE CAPITAL

Authorized share capital

The Company's authorized to issue up to 1,000,000 common shares without par value.

Issued share capital

At December 31, 2019, the Company had 2 common shares issued and outstanding with a value of $2. The common shares were issued upon incorporation on May 2, 2019.

11. SEGMENTED INFORMATION

The Company operates in one reporting segment being the leasing real estate and intangible assets. All revenue was earned in the United States. All long term, long lived assets are located in the United States.

12. 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 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 period ended December 31, 2019.

13. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, accrued interest receivable, 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 notes payable, lease obligations and lease receivables approximate fair value as they are 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, 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.

- **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. Receivables are all due receivables from License Holder. Management feels there is minimal risk of non-collection since License Holder has been paying its obligations to the Company. 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.

- **Liquidity risk**

  The Company manages liquidity risk by maintaining adequate cash balances to meet short and long-term business requirements.

  As at December 31, 2019, all of the Company's other financial liabilities except for lease obligations and notes payable have maturities less than one year. As at December 31, 2019, the Company had cash of $2. Refer to note 1 for further discussion regarding going concern.

- **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, 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.

(Expressed in United States Dollars)

14. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2019
Income before income taxes	$	32,075
Income tax recovery at statutory rates (21%)	$	6,736
Temporary difference		(2,755)
Change in unrecognized deductible temporary differences		(3,981)
Deferred tax recovery (expense)	$	-

The significant components of deductible temporary differences that have not been included on the statement of financial position are as follows:

		2019	Expiry
Deferred tax assets (liabilities)			
Intellectual property	$	18,958	2034

15. SUBSEQUENT EVENTS

On September 13, 2019, the Company and its wholly owned subsidiaries entered into a Share Purchase Agreement (“Acquisition Transaction”) to be acquired by New Leaf Ventures Inc. (“NLV”), a Canadian corporation. On May 1, 2020, the Acquisition Transaction was completed and, as a result, the Company and its subsidiaries became the core business of NLV. The Company will continue to provide consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to the License Holder. The terms of the Acquisition Transaction provided for NLV to issue the following:

- Issue 9,000,000 common 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 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 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.

New Leaf USA, Inc.

Condensed Consolidated Interim Financial Statements

Three Months Ended March 31, 2020

(Expressed in United States Dollars)

New Leaf USA, Inc.
Condensed Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2020

The accompanying unaudited condensed consolidated interim financial statements of New Leaf USA, 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.

/s/ Robert Colwell

Robert Colwell, Chief Executive Officer
September 4, 2020

/s/ Boris Gorodnitsky

Boris Gorodnitsky, President
September 4, 2020

New Leaf USA, Inc.
Condensed Consolidated Interim Statement of Financial Position
(Expressed in United States Dollars)

	Note	As at March 31, 2020	As at December 31, 2019
Assets			
Current assets			
Cash		$ 2	$ 2
Accrued interest receivable	8	165,873	83,310
Due from related party	6	102,817	70,012
Current portion of long-term receivables	8	141,933	94,763
Total current assets		410,625	248,087
Non-current assets			
Leases receivable	8	2,120,522	2,167,692
Intangible assets	4	1,218,750	1,259,375
Equipment	3	735,789	753,622
Lease deposits	5	55,258	55,258
Total other assets		4,130,319	4,235,947
Total assets		$ 4,540,944	$ 4,484,034
Liabilities & equity			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 3,635	$ 1,818
Accrued interest payable	8	112,631	83,310
Current portion of lease obligations	8	123,175	94,763
Current portion of notes payable	6	472,762	222,249
Current portion of deferred gain	9	156,862	156,862
Total current liabilities		869,065	559,002
Long-term			
Notes payable	6	1,278,447	1,464,898
Lease obligation	8	2,120,522	2,167,692
Deferred gain	9	209,150	248,365
Security deposits	7	12,000	12,000
Total non-current liabilities		3,620,119	3,892,955
Total liabilities		4,489,184	4,451,957
Equity			
Common stock	10	2	2
Retained earnings		51,758	32,075
Total equity		51,760	32,077
Total liabilities & equity		$ 4,540,944	$ 4,484,034

Nature of operations and continuance of operations (note 1)
Segmented Information (note 14)
Subsequent Events (note 17)

Approved on behalf of the Board:

/s/ Robert Colwell

/s/ Chris Cooper

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

New Leaf USA, Inc.
Condensed Consolidated Interim Statement of Income and Comprehensive Income
(Expressed in United States Dollars)

	Note		Three Months Ended March 31, 2020
Revenues	**6**	$	102,988
Expenses			
Amortization expense	**4**		40,625
Depreciation expense	**3**		17,833
Total expenses			58,458
Other items			
Accretion expense	**6**	$	(64,062)
Amortization of deferred gain	**9**		39,215
Interest Income	**8**		82,563
Interest Expense	**8**		(82,563)
Net and Comprehensive income		$	19,683
Basic and diluted earnings per share for the period		$	9,842
Weighted average number of common shares outstanding - basic and diluted			2

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

New Leaf USA, Inc.
Condensed Consolidated Interim Statement of Changes in Equity
(Expressed in United States Dollars)

		Share Capital			
	Note	Number of shares	Amount	Retained earnings	Total
Balance at May 2, 2019		2	$ 2	$ -	$ 2
Net income for the period		-	-	32,075	32,075
Balance at December 31, 2019		2	$ 2	$ 32,075	$ 32,077
Net income for the period		-	-	19,683	19,683
Balance at March 31, 2020	10	2	$ 2	$ 51,758	$ 51,758

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

New Leaf Enterprises, Inc.
Condensed Consolidated Interim Statement of Cash Flows
(Expressed in United States Dollars)

	Note		Three Months Ended March 31, 2020
Cash flow provided from Operations			
OPERATING ACTIVITIES			
Net income for the period		$	**19,683**
Adjustments for items not affecting cash:			
Amortization expense			40,625
Depreciation expense	3		17,833
Accrued licensing fees			(84,988)
Accrued equipment lease fees			(18,000)
Accretion expense			64,062
Amortization of deferred gain			(39,215)
Change in non-cash working capital			
Accounts payable and accrued liabilities	6		1,817
Due from related party	9		(1,817)
Cash flow from operating activities			**-**
FINANCING ACTIVITIES			
Proceeds from share issuance			-
Cash flow from financing activities			**-**
Increase in cash			-
Cash, beginning of period			-
Cash, end of period			**2**
Cash received during the period from interest			**-**

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

1. NATURE OF OPERATIONS 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 business of leasing out its production equipment and licensing its intellectual property while also identifying, evaluating and negotiating additional 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").

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 period ended March 31, 2020, the Company had net income of $19,863. 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.

GLOBAL PANDEMIC

In early March 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a prospective material impact to the Company's cash flows and liquidity.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION

Statement of compliance

These condensed consolidated 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 consolidated 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 consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS, as issued by the IASB.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on September 4, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION (CONTINUED)

Basis of presentation

These financial statements have been prepared in United States dollars on a historical cost basis except for financial instruments classified and measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

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:

- **Intangible assets**

  Intangible assets acquired are measured at fair value at the acquisition date. The Company must exercise judgment in identifying intangible assets, in determining their useful life, if any, and in testing for impairment.

- **Estimated useful lives and depreciation of equipment**
  Depreciation of 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 intangible 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.

- **Impairment of lease receivable**
  The valuation of allowance for uncollectable lease receivable requires assumptions including the estimated credit losses based on the Company's knowledge of the financial conditions of the counterparty, historical experience and general economic conditions.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS AND PRESENTATION (CONTINUED)

- **Impairment of long-lived assets**
  Long-lived assets, including 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.

(Expressed in United States Dollars)

3. PROPERTY AND EQUIPMENT

		Production equipment		Total
Cost				
Balance as at May 2, 2019	$	-	$	-
Additions:				
Reorganization transaction		769,871		769,871
Other		1,558		1,558
Balance as at December 31, 2019 and March 31, 2020		**771,429**		**771,429**
Depreciation				
Balance as at May 2, 2019		**-**		**-**
Additions		17,807		17,807
Balance as at December 31, 2019		**17,807**		**17,807**
Additions		17,833		17,833
Balance as at March 31, 2020		**35,640**		**35,640**
Net book value				
As at December 31, 2019		**753,622**		**753,622**
As at March 31, 2020	**$**	**735,789**	**$**	**735,789**

4. INTANGIBLE ASSETS

		Intellectual Property		Total
Balance as at May 2, 2019	$	-	$	-
Additions:				
Reorganization transaction		1,300,000		1,300,000
Balance as at December 31, 2019	**$**	**1,300,000**	**$**	**1,300,000**
Amortization				
Balance as at May 2, 2019	**$**	**-**	**$**	**-**
Additions		40,625		40,625
Balance as at December 31, 2019	$	40,625	$	40,625
Additions		40,625		40,625
Balance as at March 31, 2020	**$**	**81,250**		**81,250**
Net book value				
As at December 31, 2019	**$**	**1,259,375**	**$**	**1,259,375**
As at March 31, 2020	**$**	**1,218,750**	**$**	**1,218,750**

The Company leases the intangible assets to the License Holder (Note 1) in exchange for an annual exclusivity fee of $100,000 and the greater of $1.07 per each unit sold and a quarterly license fee of $150,000 for a period of six months, expiring September 30, 2020.

(Expressed in United States Dollars)

5. LEASE DEPOSITS

		As at December 31, 2019
Building lease	**$**	**55,258**

6. RELATED PARTY TRANSACTIONS

As outlined in Note 1, related party transactions consist of monthly transactions with the License Holder, who is related by way of common ownership. Key management include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management consist of executive and non-executive members of the Company's Board of Directors and corporate officers and/or companies controlled by those individuals. There was no remuneration attributed to key management during the three months ended March 31, 2020.

(i) Service Revenue

Transactions with License Holder		
Equipment lease revenue	$	18,000
Variable IP licensing fee		84,988
Total revenue for the period	**$**	**102,988**

Due from License Holder		
Balance, December 31, 2019	$	70,012
Total billings for the period		102,988
Sales tax receivable		1,817
Less:		
Expenditures paid by the License Holder on behalf of the Company		(72,000)
Due from License Holder, as at March 31, 2020	**$**	**102,817**

(ii) Notes Payable

Balance, May 2, 2019	$	-
Additions		2,069,871
Deferred gain (Note 9)		(444,443)
Accretion expense		61,719
Notes payable, December 31, 2019	$	1,687,147
Accretion expense		64,062
Notes payable, March 31, 2020	**$**	**1,751,209**
Current	$	**472,762**
Long-term	$	**1,278,447**

The notes payable are unsecured, bear an interest rate of 2.72% per annum and are for a period of two years commencing once the Company has closed an acquisition transaction as outlined in Note 9. The notes are to be paid in eight, equal, quarterly installments of $236,269.

(Expressed in United States Dollars)

7. SECURITY DEPOSITS

Balance as at May 2, 2019	**$**	**-**
Security deposit on leased equipment		12,000
Balance as at December 31, 2019 and March 31, 2020	**$**	**12,000**

8. LEASES

(i) The Company as a Lessee:

During the period from incorporation on May 2, 2019 to December 31, 2019, the Company assumed a lease from the License Holder, a related party (Note 1) consisting of approximately a 30,000 square foot integrated cultivation facility located in Seattle, Washington. The Company subleased the facility to the License Holder and derecognized the right-of-use asset with a net book value of $2,262,455. In connection with the sublease, the Company recorded a lease receivable of $2,262,455 and a gain on sublease of $Nil.

The Company used 15% interest rate, its incremental borrowing rate to calculate the present value of the lease payments as well as to calculate the monthly accretion expense.

The Company continues to maintain its original leases with the landlords and has lease obligations as follows:

Lease Obligation Payable		**Three Months Ended March 31, 2020**
Balance, December 31, 2020		**2,262,455**
Payments		(18,758)
Balance, March 31, 2020	$	**2,243,697**

The Company used a 15% interest rate, its incremental borrowing rate, to calculate the present value of the lease payments as well as to calculate the monthly interest expense. The Company recorded $82,563 interest expense during the period. As at March 31, 2020, $21,379 in lease payments had been made and there were no adverse impacts on the status of the lease agreement.

Minimum lease payments receivable are as follows:

Minimum lease payments for each fiscal year:		
2020	$	450,841
2021		433,628
2022		448,110
2023		470,315
2024		491,281
2025 and thereafter		1,752,557
		4,046,732
Amount representing interest		(1,803,035)
Less: Current lease obligation		**(123,175)**
Long-term	$	**2,120,522**

(Expressed in United States Dollars)

8. LEASES (CONTINUED)

(i) The Company as a Lessor:

Lease Receivable		**Three Months Ended March 31, 2020**
Balance, December 31, 2020		**2,262,455**
Addition		-
Balance, March 31, 2020	$	**2,262,455**

The Company used a 15% interest rate, its incremental borrowing rate, to calculate the present value of the lease payments as well as to calculate the monthly interest income. The Company recorded $82,563 interest income during the period.

Minimum lease payments receivable are as follows:

Minimum lease payments receivable for each fiscal year:		
2020	$	522,841
2021		433,628
2022		448,110
2023		470,315
2024		491,281
2025 and thereafter		1,752,557
		4,118,732
Amount representing interest		(1,856,277)
Less: Current lease receivable		**(141,933)**
Long-term	$	**2,120,522**

During the three months ended March 31, 2020, interest expense and interest income of $82,563 was charged to the statement of income and comprehensive income. As at March 31, 2020, interest payable of $112,631 remains to be paid and interest receivable of $165,873 remains collectable.

9. DEFERRED GAIN

Balance, May 2, 2019	$	-
Additions		444,443
Amortization of the deferred gain		(39,216)
Balance, December 31, 2019	**$**	**405,227**
Amortization of deferred gain		(39,215)
Balance, March 31, 2020		**366,012**

Current	$	**156,862**
Long-term	$	**209,150**

10. SHARE CAPITAL

Authorized share capital

The Company's authorized to issue up to 1,000,000 common shares without par value.

Issued share capital

At March 31, 2020, the Company had 2 common shares issued and outstanding with a value of $2. The common shares were issued upon incorporation on May 2, 2019.

11. SEGMENTED INFORMATION

The Company operates in one reporting segment being the leasing real estate and intangible assets. All revenue was earned in the United States. All long term, long lived assets are located in the United States.

12. SUBSEQUENT EVENTS

On September 13, 2019, the Company and its wholly owned subsidiaries entered into a Share Purchase Agreement ("Acquisition Transaction") to be acquired by New Leaf Ventures Inc. ("NLV"), a Canadian corporation. On May 1, 2020, the Acquisition Transaction was completed and, as a result, the Company and its subsidiaries became the core business of NLV. The Company will continue to provide consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to the License Holder. The terms of the Acquisition Transaction provided for NLV to issue the following:

- Issue 9,000,000 common 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 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 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.