



NEW LEAF VENTURES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
(Expressed in Canadian Dollars)

New Leaf Ventures Inc.

Management Discussion and Analysis

For the nine months ended September 30, 2020

(Expressed in Canadian Dollars)

BACKGROUND

This management discussion and analysis (“MD&A”) of the financial position of New Leaf Ventures Inc. (formerly known as “1166858 B.C. Ltd.”) (the “Company”) and results of its operations for the nine months ended September 30, 2020 is prepared as at November 30, 2020. This MD&A supplements the unaudited condensed interim financial statements of the Company and the notes thereto for the nine months ended September 30, 2020, which was prepared in accordance with International Financial Reporting Standards (“IFRS”). This MD&A should be read in conjunction with the Company’s audited financial statements and corresponding notes for the period ended December 31, 2019 and related MD&A. All dollar figures included therein and in the following M&DA are quoted in Canadian dollars.

FORWARD-LOOKING STATEMENTS

This discussion contains “forward-looking statements” that involve risks and uncertainties. Such information, although considered to be reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Such forward-looking statements include, among others, statements relating to the provision of consulting services, real property, intellectual property and equipment for lease and enhanced ancillary services to the License Holder (as defined below) and completion of additional financings.

This MD&A contains forward-looking statements that reflect the Company’s current expectations and projections about its future results. When used in this MD&A, words such as “estimate”, “intend”, “expect”, “anticipate” and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company’s future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause the Company’s actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. For a description of the assumptions upon which the forward-looking statements are based, along with a description of the risk factors that could cause such forward-looking statements to vary, see refer to the MD&A for the year ended December 31, 2019, as well as the risk factors described under the heading “Risks and Uncertainties”.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein.

Due to risks and uncertainties, including the risks and uncertainties identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. Except as required by applicable law, the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

COMPANY OVERVIEW

The Company was incorporated under the Business Corporations Act (British Columbia) on June 4, 2018. During the period ended September 30, 2020, New Leaf successfully closed transactions that included public listing on the Canadian Securities Exchange under the symbol “NLV” and concluded two offerings that raised aggregate gross proceeds of approximately \$1.9M. Concurrently, the Company completed an acquisition transaction for 100% of the shares of New Leaf USA Inc. (and its subsidiaries) which provides licenses, consulting services, physical and intellectual property, production equipment and related services to a Washington-based Tier 3 Producer/Processor focused on industrial-scale agronomy, processing, packaging, marketing and distributing cannabis and cannabis related products.

Since closing New Leaf Ventures, through its subsidiaries in the US, has commenced several programs to develop new products, enhance existing products, equipment upgrades and process efficiencies. To date these efforts have included:

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Product Brand Updates

- Developed the Goodies brand intended as umbrella branding for the company's edibles product lines.
- Developed and introduced a caramels product line, including hard and soft caramels.

Cultivation Facility Upgrades

- Higher efficiency lighting with increased light output. The operator expects a 25-35% increase in production volume of usable material based on initial tests of the new lighting configuration.
- Installed dehumidification and environmental control systems resulting in increase in quality of produced biomass and reduction of loss due to plant pathogens.
- Upgraded environmental controls in the company's greenhouse to increase utilization during winter.

Processing Upgrades

- The Company has also advanced changes to the drying and curing process that will result in increases in quality of flower production.
- Purchased automated trimmer and sorter, increasing processing capacity to 500 lbs of flower per week.

Commercial Kitchen Upgrades

- Purchased a large set of commercial kitchen equipment and supplies at a highly favorable liquidation cost.
- Purchased a depositor and a batch cooker to increase product output capacity of the caramels and hard candy lines.

Process Improvements

- Development of newly branded, structured, and responsive marketing approach across Dama and Weed brand variations allowing for consumer feedback to aid faster time-to-market development of new product lines aligned to market trend data.
- Introduction of dynamic supply processes and an ability to react to market forces within a coherent pricing structure ensures scalable efficiency and effective product COGS to support expansion.
- New Leaf USA has authorized the implementation of an integrated software system for scheduling, managing, and tracking cultivation operations. This system has increased efficiencies in the cultivation cycle, improve the ability to identify issues, implement corrective measures and improvements (such as the introduction of new strains), and facilitate inter-departmental communication in support of lean manufacturing processes.

Sales Enhancements:

- Expansion of sales team to include dedicated field representatives to support relationship building, sample distribution and merchandising.
- Aggressive distribution of samples to retailers, with structured follow-up and incentive closing protocols.
- Introduction and training to introduce sales team to impact of new dynamic supply processes and the need to capture timely market and trend data in order to effectively respond to achieve or grow category leadership.
- Engagement of Wick & Mortar, an award-winning cannabis branding agency with extensive experience in the Washington cannabis market. The team, in conjunction with Wick & Mortar has embarked on an accelerated program to increase consumer awareness and related activities.

The Company is continuing to look ahead with focused investment targeting the efficiency of the facility and effectiveness of its brands in the marketplace. The strategic plan is sound and aligns with our operational outlook.

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The proposals for departmental investment and revenue growth are well considered and, in several areas, already being executed. These initiatives include:

Product Brand Upgrades

- Updates to the edible Goodies product packaging reflective of a top selling caramel's product brand.
- Developing hard candy product line with planned retail introduction within 3-4 weeks.
- Developed a pipeline of edible product lines with planned introduction of a product line per quarter during the next 12 months.
- Update and integrate branding across flower products lineup (Dama and Weed).
- Introduce a Dama brand variation for high end greenhouse flower.
- Introduce a Weed brand variation for mid-range outdoor flower.
- Finalize and produce full spectrum marketing and merchandising collateral to support brand visibility and market penetration initiatives.

Processing Upgrades

- Continuing upgrades to drying and curing facility will result in increase of quality of flower output.

Commercial Kitchen Upgrades

- Initiated the expansion of the commercial kitchen designed for high volume manufacturing of edible products. Completion targeted for December 2020.

Extraction Lab Upgrades

- Initiated the expansion of the extraction lab with the goal of increasing extraction output capacity to 20,000 grams of distillate per week.

Sales Enhancements

- Tiered performance-based provisioning of retailers with high visibility sales aids including toppers, banners, hangers, pop-ups, print, fashion, and digital marketing/merchandising collateral.
- Rollout of enhanced budtender education programs.

On July 23, 2020 New Leaf Ventures received approval from the Depository Trust Company ("DTC") to make the Company's common shares eligible to be electronically cleared and settled through DTC ("DTC Eligibility") and list its common shares on US-based OTC Markets under the symbol "NLVVF".

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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 discussed below.

ACQUISITION TRANSACTION

On April 30, 2020, the Company completed their previously announced acquisition of New Leaf USA, Inc. and all of its wholly-owned subsidiaries. In consideration for the acquisition, the Company issued the following:

- 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:

- 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
- 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.

The following table shows the preliminary allocation of the purchase price to assets acquired and liabilities assumed, based on estimates of fair value, including a summary of the identifiable classes of consideration transferred, and amounts by category of assets acquired and liabilities assumed at the acquisition date:

Fair value of 9,000,000 common shares issued ⁽¹⁾	\$	2,250,000
Contingent consideration ⁽²⁾		649,440
Consideration	\$	2,899,440
<hr/>		
Cash	\$	3
Receivable from Related party		335,175
Leases receivables		3,015,981
Equipment		1,015,214
Intellectual property		1,676,445
Goodwill		2,554,022
Deposits		76,864
Accounts payable		(49,932)
Capital lease obligations		(3,015,981)
Notes payables		(2,466,380)
Deferred gain		(225,279)
Security deposits		(16,692)
Net identifiable assets acquired	\$	2,899,440

⁽¹⁾ The common shares were valued at the initial public offering price of \$0.25 per common share.

⁽²⁾ Contingent consideration consists of 4,000,000 common share warrants. The common share purchase warrants have a life of three years from the date of grant and have an exercise price of \$0.20. The common share warrants were valued using the Black-Scholes Option Pricing model

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SELECTED INFORMATION ANNUAL INFORMATION

	For the years ended		
	December 31, 2019	December 31, 2018	December 31, 2017
	\$	\$	\$
Operating expenses	1,168,699	36,250	N/A
Net loss for the period	1,171,103	36,250	N/A
Comprehensive loss for the period	1,171,103	36,250	N/A
Basic and diluted loss per share:			
- net loss	0.11	181.25	N/A

	As at	December 31, 2019	December 31, 2018	December 31, 2017
		\$	\$	\$
Working capital (deficiency)		(396,764)	(36,249)	-
Total assets		191,034	1	-
Total liabilities		587,798	36,250	-
Share capital		736,251	1	-
Deficit		1,207,353	36,250	-

SUMMARY OF QUARTERLT RESULTS

	Three months ended			
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
	\$	\$	\$	\$
Interest income	-	-	-	-
Net income (loss)	(628,842)	(1,546,174)	(204,217)	(415,837)
Comprehensive income (loss)	(773,797)	(1,616,855)	(204,217)	(415,837)
Basic and diluted earnings (loss) per share	(0.02)	(0.06)	(0.02)	(0.03)

	Three months ended			
	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	\$	\$	\$	\$
Interest income	-	-	-	-
Net income (loss)	(385,599)	(352,008)	(17,659)	9,877
Comprehensive income (loss)	(385,599)	(352,008)	(17,659)	9,877
Basic and diluted earnings (loss) per share	(0.03)	(0.03)	(0.00)	49.39

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RESULTS OF OPERATIONS

	For the Three Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
Revenue	\$ 759,029	\$ -	\$ 1,276,929	\$ -
Operating Expenses				
Amortization	54,117	-	91,357	-
Communication	2,430	-	21,879	-
Consulting	35,988	-	94,456	136,566
Depreciation	25,482	-	42,160	-
Directors fees	6,000	5,355	18,000	5,355
Marketing	514,980	-	948,275	-
Office	118,175	206	186,584	642
Professional fees	114,244	375,691	396,166	604,428
Regulatory and filing fees	5,899	3,649	27,972	5,130
Share-based compensation	-	-	69,009	-
Wages and salaries	446,035	-	1,638,288	-
Total Operating Expenses	(1,323,350)	(384,901)	(3,534,146)	(752,121)
Other expenses				
Interest Income	107,703	-	182,534	-
Accretion Expense	(84,023)	-	(145,354)	-
Amortization of deferred gain	23,971	-	40,466	-
Foreign exchange	(4,467)	(698)	(17,126)	(3,145)
Interest Expense	(107,705)	-	(182,536)	-
Net loss for the period	(628,842)	(385,599)	(2,379,233)	(755,266)

The changes in operations for the three and nine months ended September 30, 2020 are markedly different than the same periods in 2019. Due to the Acquisition Transaction being completed on April 30, 2020, the operations of all the subsidiaries acquired have been included in the three and nine months ended September 30, 2020.

In general, during the three and nine months ended September 30, 2019, the Company was private and was preparing to go public as well as complete the Acquisition Transaction and therefore the expenditures incurred were related to consulting and professional fees. With the completion of the Acquisition transaction and two financing tranches during the comparable 2020 periods, the results from operations are not comparable to the 2019 periods.

For the period of May 1, 2020 to September 30, 2020, the Company earned revenues of \$1,276,929 and net loss of \$2,379,233 from its US operations.

During the three and nine months ended September 30, 2020, the Company spent approximately \$514,980 and \$948,275 on marketing costs to help increase exposure of the Company subsequent to its initial public offerings. The Company plans to continue marketing expenditures through the summer and into the fall in order to bring attention to its numerous initiatives as outlined in the Company Overview section of this MD&A.

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OUTSTANDING SHARE DATA

As of the date of this MD&A the Company has a total of 37,721,167 common shares outstanding, 500,000 common share purchase warrants outstanding, 27,265,246 share purchase warrants outstanding and 183,060 agent units outstanding.

Authorized share capital

The Company's authorized to issue up to unlimited common shares without par value.

Issued share capital

During the nine months ended September 30, 2020:

- On April 30, 2020, the Company completed its initial public offering (the "Offering") of 4,768,871 units (the "Units") at a price of \$0.25 per Unit (the "Offering Price"), for aggregate gross proceeds of approximately \$1,192,217. Each Unit is comprised of one common share in the Company (a "Common Share") and one-half common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will be exercisable at a price of \$0.40 for a period of 24 months from the listing of the Common Shares on the Canadian Securities Exchange (the "CSE"), subject to early expiry (the "Early Expiry Event") 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 ten consecutive trading days.

The agent for the Offering was Mackie Research Capital Corporation (the "Agent"). In connection with the Offering, pursuant to the agency agreement dated February 10, 2020, as amended on April 17, 2020, between the Company and the Agent, the Agent received a cash commission to 8% of the gross proceeds from the Offering from certain purchasers of the Units (the "Purchasers"), other than those on the Company's president's list and 2% of the gross proceeds from the Offering from Purchasers on the Company's president's list, and received a corporate finance fee of \$30,000 (plus GST). Total cash share issue costs related to the Offering amounted to \$97,604.

The Company also granted 136,280 non-transferrable share purchase warrants (the "Agent Warrants") to the Agent and members of its selling group. Each Agent Warrant will entitle the holder thereof to purchase one unit (an "Agent Unit") at an exercise price of \$0.25 until the April 30, 2022, subject to an early expiry date upon the occurrence of the Early Expiry Event. Each Agent Unit consists of one Common Share and one-half of one warrant (each whole warrant, an "Agent Unit Warrant"). Each Agent Unit Warrant will entitle the holder thereof to purchase one Common Share on the same terms and conditions as the Warrants. The fair value of the Agent Warrants was \$18,643, calculated using the Black-Scholes option pricing model. The amount was charged to share capital as non-cash share issue costs.

- On April 30, 2020, the Company issued 9,000,000 common shares in connection with the Acquisition Transaction, that made up a portion of the purchase price. In addition, as part of the Acquisition Transaction, the Company issued a total of 3,658,676 to Boris Gorodnitsky and Robert Colwell as a signing bonus to become executives of New Leaf USA, Inc.
- On June 3, 2020, the Company completed a second tranche of its initial public offering of 2,990,400 units (the "Units") at a price of \$0.25 per Unit (the "Offering Price"), for aggregate gross proceeds of approximately \$747,600 (the "Second Tranche"). Each Unit is comprised of one common share in the Company (a "Common Share") and one-half common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will be exercisable at a price of \$0.40 until April 30, 2022 (the "Expiry Date") subject to early expiry (the "Early Expiry Event") if the closing price of the Common Shares on the CSE (or

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any equivalent exchange) is equal to or greater than \$0.60 per Common Share for a period of ten consecutive trading days.

In connection with the Second Tranche, pursuant to the agency agreement dated February 10, 2020, as amended on April 17, 2020, between the Company and the Mackie Research Capital Corporation (the "Agent"), the Agent received a cash commission in the amount of \$9,600 in connection with the Second Tranche from certain purchasers of the Units (the "Purchasers") as well as reimbursement of expenses of \$4,012.

The Company also granted 76,000 non-transferrable share purchase warrants (the "Agent Warrants") to the Agent and members of its selling group. Each Agent Warrant will entitle the holder thereof to purchase 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 the Early Expiry Event. Each Agent Unit consists of one Common Share and one-half of one warrant (each whole warrant, an "Agent Unit Warrant"). Each Agent Unit Warrant will entitle the holder thereof to purchase one Common Share on the same terms and conditions as the Warrants. The fair value of the Agent Warrants was \$18,696, calculated using the Black-Scholes option pricing model. The amount was charged to share capital as non-cash share issue costs.

- During the three months ended September 30, 2020, the Company raised an \$1,187,815 CAD in gross proceeds from the exercise of 4,629,000 warrants and 29,220 agent units. Upon exercise of the agent warrants, the Company transferred \$3,998 from share-based payments reserve to share capital, representing the fair value of the agent units. In addition, the Company issues 14,610 warrants with an exercise price of \$0.40, expiring on April 30, 2022 as a result of the exercise of the agent units. The warrants issued upon exercise of the agent units had a fair value of \$4,734, calculated using the Black-Scholes option pricing model. The amount was charged to share capital as non-cash share issue costs.

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.

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

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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 nine months ended September 30, 2020 and the year ended December 31, 2019 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2018	- \$	-
Granted	500,000 \$	0.25
Balance, December 31, 2019 and September 30, 2020	500,000 \$	0.25

As at September 30, 2020, options outstanding are as follows:

Number of Options	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life in Years
500,000	125,000	\$ 0.25	November 14, 2024	4.13
500,000	125,000	\$ 0.25		4.13

During the nine months ended September 30, 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

- **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 June 30, 2020, the Company did not issue any RSRs and there are no RSRs outstanding.

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- **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 June 30, 2020, the Company did not issue any DSUs and there are no DSUs outstanding.

Warrants

The changes in warrants during the nine months ended September 30, 2020 and the year ended December 31, 2019 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2018	-	\$ -
Granted ⁽¹⁾	12,000,000	0.25
Balance, December 31, 2019	12,000,000	0.25
Granted	19,894,246	0.36
Exercised	(4,629,000)	0.25
Balance, September 30, 2020	27,265,246	\$ 0.33

(1) On June 19, 2020, the Company re-priced the share purchase warrants from an exercise price of \$0.05 per share purchase warrant to \$0.25 per share purchase warrant. As compensation to allow for the repricing of the share purchase warrants, the Company issued 12,000,000 additional share purchase warrants with a life of two years and an exercise price of \$0.40.

As at September 30, 2020, warrants outstanding are as follows:

Number of Warrants Outstanding	Number of Warrants Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life in Years
7,379,000	7,379,000	\$ 0.25	February 21, 2021	0.39
4,000,000	4,000,000	0.20	April 30, 2022	1.58
3,886,246	3,886,246	0.40	April 30, 2022	1.58
12,000,000	12,000,000	0.40	June 19, 2022	1.72
27,265,246	27,265,246	\$ 0.33		1.32

Agent Warrants

Agent Units

The changes in Agent Units during the nine months ended September 30, 2020 and the year ended December 31, 2019 are as follows:

	Number of Agent Units	Weighted Average Exercise Price
Balance, December 31, 2019 and 2018	-	\$ -
Ganted	212,280	\$ 0.25
Exercised	(29,220)	0.25
Balance, September 30, 2020	183,060	\$ 0.25

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As at September 30, 2020, Agent Warrants outstanding are as follows:

Number of Agent Units	Number of Agent Units Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life in Years
183,060	183,060	\$ 0.25	April 30, 2022	1.58

TRANSACTIONS WITH RELATED PARTIES

Related party transactions consist of monthly transactions with the License Holder, who is related by way of common executives. 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.

(i) Service Revenue

Transactions with License Holder		
Equipment lease revenue	\$	40,478
Service fee		1,011,945
Variable IP licensing fee		224,506
Total revenue for the period	\$	1,276,929
Due from License Holder		
Balance, December 31, 2019	\$	48,390
Additions - Acquisition transaction		335,175
Total billings for the period		1,463,900
Advances to the License Holder		380,177
Less:		
Payments received from the License Holder		(699,128)
Currency translation adjustment		(28,029)
Due from License Holder, as at September 30, 2020	\$	1,500,485

(ii) Notes Payable

Balance, December 31, 2019	\$	-
Addition - Acquisition transaction		2,691,659
Deferred gain		(225,279)
Accretion expense		145,354
Payment		(105,090)
Currency translation adjustment		(97,915)
Balance, September 30, 2020	\$	2,408,729
Current	\$	1,229,591
Long-term	\$	1,179,138

The notes payables 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. The notes are to be paid in eight, equal, quarterly installments of US\$236,269. As of the date of this MD&A, US\$75,000 has been paid on the notes payable.

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(iii) Key Personnel Compensation

	Nine Months Ended	
	September 30, 2020	September 30, 2019
Directors' fees	\$ 18,000	\$ -
Consulting fees ⁽¹⁾	61,000	-
Share-based payments ⁽²⁾	69,009	-
Wages and salaries ⁽³⁾	1,049,595	-
	1,197,604	-

⁽¹⁾ During the nine months ended September 30, 2020, the Company incurred consulting fees of \$36,000 (Nine months ended September 30, 2019 - \$Nil) to a company controlled by the CEO and consulting fees of \$25,000 (Nine months ended September 30, 2019 - \$Nil) to a company controlled by the CFO.

⁽²⁾ Share-based payments related to share purchase options issued to directors in 2019.

⁽³⁾ Wages and salaries consist of \$914,669 related to common shares issued to two executives of one of the Company's subsidiaries as a signing bonus and US\$100,000 (CDN) \$134,926 in salaries from May 1, 2020 to September 30, 2020. See note 4.

(iv) Key Personnel Employment Contracts

The Company entered into employment contracts with Boris Gorodnitsky and Robert Caldwell to act as President and CEO, respectively, for New Leaf USA, Inc. The agreements are effective as of May 1, 2020 for three-year terms with one-year renewal terms upon mutual agreement. Pursuant to the agreements, each individual will receive the following terms:

- Base salary of US\$120,000 per annum payable in 12 monthly instalments of US\$10,000;
- Two weeks of paid vacation;
- Signing bonus of 1,829,338 common share of the Company (issued) each upon signing of the agreements;
- Change of control clause payments equal to the total base salary from the date of termination through the end of the agreements, payable in equal monthly instalments of US\$10,000; and
- Death or disability benefits equal to 6 months of their annual base salary, payable in cash, within 45 days of death or disability.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2020 Company had a working capital of \$105,843 (December 31, 2019 – Working capital deficiency of \$396,764).

The Company has relied on equity financings to fund its operations and growth, including the Acquisition Transaction, which was made possible through the two tranches of the initial public offering. As the Company progresses and expands operations in the US, through its subsidiaries, the Company will use a combination of equity financings, funds from the exercise of share purchase warrants and revenues from the leasing, licensing and service revenues of its subsidiaries. There can be no assurances the Company will be successful in its endeavors. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail its activities to a level for which funding is available or can be obtained.

The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants.

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SUBSEQUENT EVENTS

On November 10, 2020 the Board of Directors of New Leaf Ventures approved the granting of 1,225,000 options to directors, officers and employees in accordance with, and subject to the terms of, the Company's equity incentive plan. Each option has a strike price of \$0.34 CAD and expires on November 10, 2031.

OFF-BALANCE SHEET ARRANGEMENT

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

These financial statements have been prepared using accounting policies consistent with IFRS issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. Refer to Note 2 of the unaudited condensed interim financial statements for the period ended June 30, 2020 for details on critical accounting estimates and judgments.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in various tables in Note 13 of the unaudited condensed interim financial statements for the six months ended June 30, 2020. For a discussion on the significant assumptions made in determining the fair value of financial instruments, refer also to Note 2 of the unaudited condensed interim financial statements for the six months ended June 30, 2020.

RISKS AND UNCERTAINTIES

The Company is subject to a number of risk factors due to the nature of its business. These risks and uncertainties may impact the Company's ability to successfully execute its key strategies and may affect future events, performance or results. Some of these risks and uncertainties are described in this MD&A. However, the risks and uncertainties set out in this MD&A are not exhaustive. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company's business performance, condition, operations or strategies and plans.

Ongoing Need for Financing

It is intended that the Company will continue to make investments to support business growth and may require additional funds to respond to business challenges. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of the Company's shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. In addition, additional financing may not be available on favourable terms, if at all. If the Company is unable to obtain adequate financing or financing on terms satisfactory

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to them, when they require it, their ability to continue to support business growth and to respond to business challenges could be significantly limited.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire the assets or shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. The level of the Company's indebtedness from time to time could impair its ability to obtain additional financing in the future, on a timely basis, to take advantage of business opportunities that may arise.

Business plan is new and contains inherent risks

Our business plan is innovative and non-traditional. As such, we cannot be certain of commercial or any other kind of success for us and cannot guarantee same.

Limited operating history

The Company has a very limited operating history upon which an evaluation of its prospects can be based. The prospects must be evaluated with a view to the risks encountered by a business in an early stage of operations. The Company has not been profitable and has incurred net operating losses during its recent operating history. The Company cannot guarantee it will ever be profitable, have a positive cash flow, or be able to continue in business.

Potential Conflicts of Interest

Certain directors or officers of the Company are also directors, officers, shareholders and/or promoters of other reporting and non-reporting issuers. Such associations may give rise to conflicts of interest from time to time. The directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. Conflicts of interest, if any, will be subject to, and will be resolved in accordance with, the procedures and remedies under the BCBCA.

Reliance on Others and Key Personnel

The success of the Company will be largely dependent upon the performance of its management and key employees, as well as the talents of its outside consultants and suppliers. The Company may not have any "key man" insurance policies, and therefore there is a risk that the death or departure of any one or more members of management or any key employee could have a material adverse effect on the Company. The Company also faces intense competition for qualified personnel and there can be no assurance that the Company will be able to attract and retain the employees, personnel and/or consultants necessary to successfully carry out its activities.

Litigation

All industries are subject to legal claims, with and without merit. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material effect on the Company's operations and financial position.

Dividends

To date, the Company has not paid any dividends on its outstanding securities and the Company does not expect to do so in the foreseeable future. Any decision to pay dividends on Company's shares will be made by the Board of Directors.

Changes in Laws

Changes to any of the laws, rules, regulations or policies to which the Company is subject could have a significant impact on the Company's business. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a

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material adverse effect on the Company's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact the Company's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

Speculative investment

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described above and the other information filed with the Canadian securities regulators before investing in the Company's common shares. The risks described are not the only ones faced. Additional risks that the Company currently believes are immaterial may become important factors that affect the Company's business. If any of these risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed and investors may lose all of their investment.