NEW AGE FARM INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2018

(Expressed in Canadian dollars)

NOTICE TO READERS

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

The accompanying unaudited condensed interim consolidated financial statements of New Age Farm Inc. (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 the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor

NEW AGE FARM INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

As at	June 30, 2018 $	December 31, 2017 $
Current		
Cash	**432,780**	2,370,660
Loan receivable (Note 6)	**299,178**	282,262
GST receivable	**1,469**	-
Due from related party (Note 11)	**100,887**	-
	834,314	2,652,922
Deposit on acquisition	**-**	64,430
Property, plant and equipment (Note 4)	**68,354**	68,354
Total assets	**902,668**	2,785,706
Current		
Accounts payable	**29,500**	61,620
Accrued liabilities	**-**	328,250
Promissory note (Note 11)	**1,684,142**	-
Current portion of note payable (Note 7)	**8,719**	8,375
Due to related parties (Note 11)	**-**	1,062,950
	1,722,361	1,461,195
Long term portion of note payable (Note 7)	**68,431**	70,643
Total liabilities	**1,790,792**	1,531,838
Shareholders' equity (deficiency)		
Shares capital (Note 8)	**34,577,757**	25,367,943
Shares to be issued	**-**	125,000
Accumulated other comprehensive loss	**(24,604)**	-
Contributed surplus and reserves	**4,565,214**	5,916,788
Deficit	**(40,006,491)**	(30,155,863)
Total shareholders' equity (deficiency)	**(888,124)**	1,253,868
Total liabilities and shareholders' equity (deficiency)	**902,668**	2,785,706

Nature and continuance of operations (Note 1) and **Subsequent events** (Note 13)

Approved on behalf of the Board on August 29, 2018:

"Ben Martch"

Director – Ben Martch

"David Joshua Bartch"

Director – David Joshua Bartch

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

NEW AGE FARM INC.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

	Three months ended		Six months ended	
	June 30, 2018 $	**June 30, 2017 $**	**June 30, 2018 $**	**June 30, 2017 $**
Sales	**88,487**	-	**96,504**	-
Cost of goods sold	**(87,107)**	-	**(104,862)**	-
	1,380	-	**(8,358)**	-
Expenses				
Advertising	**105,892**	109,718	**497,245**	613,372
Amortization	**-**	64,451	**-**	109,478
Bank charges	**2,395**	855	**4,221**	1,519
Consulting (Note 11)	**1,052,122**	1,020,826	**1,529,375**	1,746,956
Directors' fees (Note 11)	**26,050**	24,000	**53,150**	51,000
Foreign exchange loss (gain)	**(60,124)**	7,235	**(71,277)**	8,799
Insurance	**7,741**	-	**7,741**	463
Interest	**8,231**	-	**9,939**	-
Office and miscellaneous	**96,087**	3,040	**106,564**	4,673
Professional fees	**40,125**	4,427	**46,857**	11,133
Utility and property taxes	**-**	6,425	**1,477**	6,793
Telephone	**513**	662	**1,011**	1,088
Transfer agent, listing and filing fees	**8,715**	17,271	**13,631**	19,007
Travel	**21,564**	2,293	**54,941**	2,315
Share based payments (Note 8)	**-**	2,056,000	**-**	4,196,000
	1,309,311	3,318,203	**2,254,875**	6,772,596
Other income (expense)				
Management termination cost	**(4,535,000)**	-	**(4,535,000)**	-
Write off of unidentifiable assets on acquisition (note 11)	**-**	-	**(3,101,176)**	-
Interest income	**1,592**		**10,880**	
Gain on settlements of debts	**-**	-	**37,901**	-
Total expenses	**(5,841,339)**	-	**(9,850,628)**	-
Loss for the period	**(5,841,339)**	(3,318,203)	**(9,850,628)**	(6,772,596)
Foreign currency translation adjustment	**(20,241)**	-	**(24,604)**	-
Comprehensive loss for the period	**(5,861,580)**	(3,318,203)	**(9,875,232)**	(6,772,596)
Loss per share	**(0.05)**	(0.03)	**(0.05)**	(0.06)
Weighted average number of shares outstanding	**205,155,930**	125,349,472	**202,271,058**	117,783,301

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

NEW AGE FARM INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

	Number of Shares	Share Capital	Contributed Surplus* & Reserves	Shares to be issued	Accumulated Other Comprehensive Income (loss)	Deficit	Shareholders' Deficiency
Balance, December 31, 2016	**106,063,317**	**$ 11,489,954**	**$ 2,433,148**	**$ -**	**$ -**	**(12,597,917)**	**$ 1,325,185**
Exercise of warrants	15,348,000	1,524,350	-	-	-	-	1,524,350
Fair value of warrants transferred	-	1,227,560	(1,227,560)	-	-	-	-
Exercise of options	6,000,000	780,000	-	-	-	-	780,000
Fair value of options transferred	-	720,000	(720,000)	-	-	-	-
Shares issued for services	602,903	68,500	-	-	-	-	68,500
Shares based payments, options granted and warrants issued	-	-	4,196,000	-	-	-	4,196,000
Loss for the period	-	-	-	-	-	(6,772,596)	(6,772,596)
Balance, June 30, 2017	**128,014,220**	**15,810,364**	**4,681,588**	**-**	**-**	**(19,370,513)**	**1,121,439**
Balance, December 31, 2017	**175,117,577**	**25,367,943**	**5,916,788**	**125,000**	**-**	**(30,155,863)**	**1,253,868**
Exercise of warrants	14,328,353	2,368,240	-	(125,000)	-	-	2,243,240
Fair value of warrants transferred	-	1,178,349	(1,178,349)	-	-	-	-
Exercise of options	1,750,000	212,500	-	-	-	-	212,500
Fair value of options transferred	-	173,225	(173,225)	-	-	-	-
Shares issued in acquisition of subsidiary	10,000,000	3,050,000	-	-	-	-	3,050,000
Issuance of common stock for management termination	29,700,000	2,227,500	-	-	-	-	2,227,500
Foreign currency translation adjustment	-	-	-	-	(24,604)	-	(24,604)
Loss and comprehensive loss for the period	-	-	-	-	-	(9,850,628)	(9,850,628)
Balance, June 30, 2018	**230,895,930**	**34,577,757**	**4,565,214**	**-**	**(24,604)**	**(40,006,491)**	**(888,124)**

*Contributed surplus consists of fair values of stock options and warrants.

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

NEW AGE FARM INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

For the period ended,		June 30, 2018		June 30, 2017
Cash flows used in				
Operating activities				
Net loss for the period	$	(9,850,628)	$	(6,772,596)
Items not affecting cash:				
Amortization		-		109,478
Foreign exchange		(24,537)		-
Interest expense		9,939		
Management termination costs		3,905,000		
Gain on settlement of debt		(37,901)		-
Shares issued for services		-		68,500
Write off of unidentifiable assets on acquisition of subsidiary		3,101,176		-
Shares based payments		-		4,196,000
		(2,896,951)		(2,398,618)
Changes in non-cash working capital items:				
Amounts receivable		(102,356)		(550)
Accounts payable and accrued liabilities		(322,469)		102,915
Net cash used in operating activities		(3,321,776)		(2,296,253)
Investing activities				
Investment in joint venture entity		-		(132,750)
Purchase of property, plant and equipment		-		(45,630)
Net cash used in investing activities				(178,380)
Financing activities				
Loan repayment		(1,062,950)		(50,000)
Seller note repayment		(8,894)		(5,310)
Due to related parties		-		(27,679)
Exercise of stock options		212,500		780,000
Exercise of warrants		2,243,240		1,524,350
Net cash provided from financing activities		1,383,896		2,221,361
Increase in cash and cash equivalents during the period		(1,937,880)		(253,272)
Cash and cash equivalents, beginning of the period		2,370,660		562,585
Cash and cash equivalents, end of the period	$	432,780	$	309,313
Interest paid	$	3,297	$	-
Income tax paid	$	-	$	-
Non-cash Transactions:				
Shares issued for the acquisition of WAK	$	3,050,000	$	-
Issuance of shares to settle debts and for services	$	-	$	68,500
Fair value of warrants and stock options reallocated	$	1,351,574	$	1,947,560

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

1. NATURE AND CONTINUANCE OF OPERATIONS

New Age Farm Inc. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on September 27, 2013, under the name 0981624 B.C. Ltd. The Company subsequently changed its name to New Age Farm Inc. on April 10, 2014. The Company listed its common shares on the Canadian Securities Exchange and began trading under the symbol NF on August 18, 2014. The Company's principal business is the development, market and distribution of Cannabidiol ("CBD") products.

The registered address, head office, principal address and records office of the Company are located at Suite 106 – 1641 Lonsdale Avenue, North Vancouver, British Columbia, Canada, V7M 2J5.

On August 31, 2016, the Company and NHS Industries Ltd. ("NHS", its wholly-owned subsidiary) entered into an arrangement agreement whereby the Company would spin-off NHS, together with all its assets and liabilities, as a separate operating entity and NHS would operate the Company's farm property located in Langley, British Columbia (the "Arrangement"). The Company would continue to operate its real estate and farm properties in Washington State in USA. In return, following completion of the Arrangement, shareholders of the Company would hold one new share in the capital of the Company and its pro–rata share of the post-consolidation NHS shares to be distributed under the Arrangement for each currently held New Age Farm share. The board of directors of the Company has set the share distribution record date of the Plan of Arrangement at close of business on November 30, 2016. The Company further determined the effective date of the spin-off to be at December 31, 2016. Therefore, these consolidated financial statements have de-recognized all of NHS' assets and liabilities at its year-end date of December 31, 2016. For the consolidated statements of operations and comprehensive loss and the consolidated statements of cash flows, discontinued operations has been separately disclosed from the continued operations. The Company completed the distribution of NHS shares during the year ended December 31, 2017.

At June 30, 2018, the Company had not yet achieved profitable operations, has accumulated losses of $40,006,491 since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned business, meet its on-going levels of corporate overhead and discharge its liabilities as they come due. These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these unaudited condensed interim consolidated financial statements.

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2. SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies

In preparing these condensed consolidated interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited consolidated financial statements for the year ended December 31, 2017, with exception to the new accounting standards adopted by the Company discussed below.

The preparation of condensed consolidated interim financial statements requires that the Company's management make judgments and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual future outcomes could differ from present estimates and judgments, potentially having material future effects on the Company's condensed interim financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Several amendments to existing accounting standards became effective January 1, 2018 and were first adopted by the Company in the six- month period ended June 30, 2018:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. As the Company does not have any revenue from long term contracts with customers and primarily consist of point of sale. Therefore, this change had no impact on the financial statements.

IFRS 9 Financial Instruments

A finalized version of *IFRS 9 Financial Instruments* replaces *IAS 39 Financial Instruments: Recognition and Measurement*. The standard contains requirements for classification and measurement of financial assets and liabilities; impairment of financial assets; hedge accounting; and derecognition of financial assets and liabilities carried forward from *IAS 39*. This change had no impact on the financial statements.

New Standards and Interpretations Not Yet Adopted

The Company will be required to adopt the following standards and amendments issued by the IASB, as described below.

Applicable to the Company's annual period beginning on January 1, 2019:

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases.

The Company has not early-adopted this standard and is currently assessing the impact that the standard will have on the condensed consolidated interim financial statements.

UNAUDITED – EXPRESSED IN CANADIAN DOLLAR

3. INVESTMENT IN NHS

As at December 31, 2016, pursuant to the Arrangement (Note 1), the Company de-recognized all of NHS's assets and liabilities as result of the spin-off and realized gain of $439,799 on a disposal of NHS during the year ended December 31, 2016. The Company also determined that there was a permanent impairment of its investment in NHS and wrote it down by $3,441,341 to $1. The Company completed the distribution of NHS shares during the year ended December 31, 2017.

4. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2018				
	Cost	Additions/ Disposal	Accumulated Amortization	Write-off	Net Carrying Amount
Sumas Property	$ 68,353	$ -	$ -	$ -	$ 68,353
Sumas Facility	131,256	-	-	(131,256)	-
Oroville Property	154,308	-	-	(154,307)	1
Oroville Facility	788,431	110,130	(154,371)	(744,190)	-
Tractor	30,000	(14,700)	(15,300)	-	-
	$ 1,172,348	$ 95,430	$ (169,671)	$ (1,029,753)	$ 68,354

	December 31, 2017				
	Cost	Additions/ Disposal	Accumulated Amortization	Write-off	Net Carrying Amount
Sumas Property	$ 68,353	$ -	$ -	$ -	$ 68,353
Sumas Facility	131,256	-	-	(131,256)	-
Oroville Property	154,308	-	-	(154,307)	1
Oroville Facility	788,431	110,130	(154,371)	(744,190)	-
Tractor	30,000	(14,700)	(15,300)	-	-
	$ 1,172,348	$ 95,430	$ (169,671)	$ (1,029,753)	$ 68,354

During the year ended December 31, 2017, due to the uncertainty in earning rental income from its first tenant, to be shared with its 50% co-owner, the Company determined that there is impairment to the Sumas Facility and wrote off $131,256 costs of Sumas Facility to $Nil.

The Company incurred $744,190, net of amortization (2016 - $788,431) of expenditures for building a facility on the Oroville Property as at December 31, 2017. During the year-ended December 31, 2017, the Company decided to discontinue its investment and look for a buyer of the Oroville Property.

During the year ended December 31, 2017, due to the uncertainty in earning rental income from its first tenant and difficulty in seeking a potential buyer for the Oroville Property, the Company determined that there is an impairment to the Oroville Property and Facility, and wrote off $154,307 costs of Oroville Property and $744,190 costs of Oroville Facility to $Nil.

UNAUDITED – EXPRESSED IN CANADIAN DOLLAR

5. DEFERRED COSTS

The Company has incurred expenditures in acquiring the tenants on its Sumas Property and on its Oroville Property as below:

- Sumas Property: 3,000,000 common shares were issued at fair value of $0.15 per share for total value of $450,000 to acquire a tenant on the Sumas Property in 2015;
- Oroville Property: 3,000,000 common shares were issued at fair value of $0.15 per share for total value of $450,000 to acquire a tenant on the Oroville Property in 2015 and cash payment for $19,403 was made to acquire this tenant as at December 31, 2016.

The Company would start amortize these expenditures over the lease terms of the tenant agreement once the facility on each property has been completed. During the year ended December 31, 2017, the Company has completed its facility on the Oroville property and started amortization on a straight line basis over 5 years. During the year ended December 31, 2017, amortization of deferred costs on the Oroville Property was $85,907 (December 31, 2016 - $Nil). Due to the uncertainty in realizing future benefit from this intangible property, the Company decided to write off the remaining balance of $383,497 of the Oroville Property acquisition cost to $Nil as at December 31, 2017.

As at December 31, 2017, the Company wrote off $450,000 of the Sumas Property acquisition cost to $Nil due to the uncertainty in realizing any future benefit from this intangible property.

6. LOAN RECEIVABLE

	June 30, 2018 **$**
Balance, December 31, 2017	282,262
Interest	-
Repayments	-
Foreign exchange	16,916
Balance, June 30, 2018	299,178

During the year ended December 31, 2017, the Company has loaned $380,180 (USD$300,000) to a third party. Due to uncertainty in collectability of some of a loan amount, the Company has made a reserve of $97,918 (USD$75,000) on this loan as at December 31, 2017. This loan is non-interest bearing, non-secured with no fixed terms of repayment.

7. NOTE PAYABLE

	June 30, 2018 **$**
Balance, December 31, 2017	79,017
Interest	3,297
Repayments	(8,894)
Foreign exchange	3,730
Balance, June 30, 2018	77,150

On October 31, 2015, the Company entered into a secured note payable with the seller of the Oroville Property in an amount of US$78,000 (Note 4). During the period ended June 30, 2018, interest and principal of $3,297 (2017 - $Nil) and $5,596 (2017 - $2,645) was paid on this note respectively.

UNAUDITED – EXPRESSED IN CANADIAN DOLLAR

8. SHARE CAPITAL

(a) Authorized: Unlimited common shares without par value
Issued : 230,895,930 common shares (December 31, 2017: 175,117,577 common shares)

During the six months ended June 30, 2018, 14,328,353 warrants at exercise prices ranging from $0.10 to $0.20 per share were exercised for gross proceeds of $2,243,240 . Fair value of $1,178,349 were re-allocated from contributed surplus to share capital.

During the six months ended June 30, 2018, 1,750,000 options at exercise price ranging from $0.115 to $0.13 were exercised for gross proceeds of $212,500. Fair value of $173,225 were re-allocated from contributed surplus to share capital.

On January 2, 2018, 10,000,000 common shares at fair value of $3,050,000 were issued to acquire WAK.

On June 18, 2018, the Company entered into termination agreements with former management and issued 29,700,000 common shares with a fair value of $2,227,500 (Note 11).

(b) Stock Options
The Company has adopted an incentive stock option plan (the "Option Plan") dated which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with stock exchanges requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Included in the Option Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company and that the number of common shares reserved for issuance pursuant to options granted to all consultants or persons conducting investing relations activities will not exceed 2% of the issued and outstanding common shares within any 12-month period. At the discretion of the Board of Directors of the Company, options granted under the Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

As at June 30, 2018, the Company had stock options outstanding and exercisable enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
50,000	$0.05	September 8, 2019
750,000	$0.13	December 12, 2019
10,000,000	$0.29	December 29, 2019
250,000	$0.20	May 4, 2020
11,050,000	$0.25	

A summary of the status of the Company's stock options outstanding and exercisable as at June 30, 2018 and December 31, 2017, and changes during those years is presented below:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2016	300,000	$	0.18
Granted	53,100,000		0.15
Exercised	(40,600,000)		0.12
Balance, December 31, 2017	12,800,000		0.25
Granted	-		-
Exercised	(1,750,000)		0.12
Balance, June 30, 2018	11,050,000	$	0.28

The stock options have a weighted average remaining life of 1.50 years.

UNAUDITED – EXPRESSED IN CANADIAN DOLLAR

8. SHARE CAPITAL (Cont'd)

(c) Warrants

As at June 30, 2018, the Company had warrants outstanding and exercisable enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
3,570,000	$0.15	April 15, 2020
3,272,911	$0.20	November 16, 2018
4,000,000	$0.24	November 27, 2019
2,390,000	$0.15	February 8, 2020
13,232,911	$0.20	

A summary of the status of the Company's stock options outstanding and exercisable as at June 30, 2018 and December 31, 2017, and changes during those years is presented below:

	Number of warrants		Weighted Average Exercise Price
Balance, December 31, 2016	**29,476,882**	$	0.16
Granted	20,000,000		0.13
Exercised	(23,678,000)		0.11
Cancelled	(237,618)		0.20
Balance, December 31, 2017	**25,561,264**		0.17
Exercised	(12,328,353)		0.15
Balance, June 30, 2018	**13,232,911**	$	0.19

9. CAPITAL DISCLOSURES

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include administrative costs and general expenditures. In the management of capital, the Company includes cash, due to related parties, loan payable, notes payable, and the components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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. Historically, funding for the Company's plan is primarily managed through the issuance of additional common shares, through its commercial activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required.

In order to carry out the planned development and pay for administrative costs, the Company will spend its existing working capital and expects to raise additional amounts as needed. The Company will continue to assess new business and seek to acquire an interest in additional business if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash, and all are held in major Canadian financial institutions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2017 and the period ended June 30, 2018. The Company is not subject to externally imposed capital requirements.

UNAUDITED – EXPRESSED IN CANADIAN DOLLAR

10. **FINANCIAL INSTRUMENTS AND RISK FACTORS:**

(a) Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of transactions is classified according to the following hierarchy based on the amount of observable inputs used to value the instrument.

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 – Inputs are other than quoted prices in Level 1 that are either directly or indirectly observable for the asset or liability.
• Level 3 – Inputs for the asset or liability that are not based on observable market data.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level. The company's cash and cash equivalents have been valued using Level 1 inputs.

(a) Fair values

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at June 30, 2018 as follows:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash	$ 432,780	$ -	$ -	$ 432,780
	$ 432,780	$ -	$ -	$ 432,780

(b) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable Canadian financial institutions, from which management believes the risk of loss to be minimal. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company's exposure to liquidity risk is dependent on raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital and cash flows. The Company ensures that sufficient funds are raised from private placements or loans to meet its operating requirements, after taking into account existing cash. The Company's cash is held in business accounts which are available on demand for the Company's business and are not invested in any asset-backed deposits or investments.

As at June 30, 2018, the Company had cash of $432,780 to settle current liabilities of $1,722,361. The note payable of $77,150 is to be matured on October 30, 2025. The promissory note of $300,000 is due 30 days after the next shareholder meeting.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates decrease, the Company will generate smaller interest revenue. The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets. The Company is not susceptible to interest rate fair value risk on its note payables that bear fixed interest rates.

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11. RELATED PARTY TRANSACTIONS

The Company incurred the following related party transactions, with associated persons or corporations, which were measured at the exchange amount as follows:

a) Key management includes directors, executive officers and officers which constitutes the management team. The Company paid or accrued compensation in form of consulting fees to companies controlled by directors, executive officers and officers as follows:

Management Compensation Period ended June 30, 2018	Consulting fees $	Director fees $	Share Compensation $
Carman Parente, former CEO	90,750	17,050	-
Anthony Chan, former CFO	54,537	13,500	-
David Johnson, former Director	23,152	10,600	-
Lorraine Pike, former Director	36,736	12,000	-
NHS Industries, related Company	18,000	-	-
Benjamin Martch, CMO	20,000	-	-
Joshua Bartch, CEO and interim CFO	106,350	-	-
Total	349,524	53,150	-

Management Compensation Period ended June 30, 2017	Consulting fees $	Director fees $	Share Compensation $
Carman Parente, CEO	90,000	12,000	92,300
Anthony Chan, CFO	45,000	12,000	127,800
David Johnson, Director	-	15,000	156,800
Lorraine Pike, Director	23,203	12,000	99,400
Total	158,203	51,000	476,400

b) As at June 30, 2018 accounts payable and accrued liabilities were due to related parties of $7,750 (2017 - $nil) and amounts receivable from the CEO was US $76,135 (CAD - $100,469).

c) On June 8, 2018, the Company entered into termination agreement with the following members of management:

- Carman Parente, former CEO and Director;
- Anthony Chan, former CFO;
- David Johnson, former Director; and,
- Lorraine Pike, former Director.

In connection with the agreements, the Company issued the following:

- Issued 14,125,000 common shares to the former CEO with a fair value of $1,059,375.
- Issued 3,975,000 common shares to the former CFO with a fair value of $298,125.
- Issued 11,600,000 common shares to former Directors with a fair value of $870,000.

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11. RELATED PARTY TRANSACTIONS (Cont'd)

The Company agreed to also pay the following:

- Pay $360,000 to the former CEO, of which $200,000 (paid) is due upon the execution of the termination agreement and the remainder due as a non-interest bearing promissory note (issued). The promissory note matures 30 days after the next shareholder meeting.
- Pay $315,000 to the former CFO, of which $175,000 (paid) is due upon the execution of the termination agreement and the remainder due as a non-interest bearing promissory note (issued). The note matures 30 days after the next shareholder meeting.
- Pay $225,000 to the former Directors (paid).

On June 8, 2018, the Company entered into convertible note agreements with the former CEO and CFO. The principal portion of the convertible note is $1,377,500, bear interest of 8% and is convertible at the discretion of the holder. The convertible note matures on September 8, 2018 or the next shareholder meeting that approves the rollback of common stock, whichever is earliest. As at June 30, 2018, the Company accrued interest of $6,642.

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12. INVESTMENT IN WE ARE KURED, LLC

In December 2017, the Company entered into a share purchase agreement to purchase 100% interest in a company, We Are Kured, LLC ("WAK"), by issuing 10,000,000 common shares of the Company. During the year ended December 31, 2017, the Company advanced $64,430 (USD $50,000) upon signing the agreement for working capital purposes. On January 2, 2018, the Company issued 10,000,000 common shares of the Company to complete the acquisition.

The Company completed the acquisition of We Are Kured, LLC ("WAK") on January 2, 2018 by issuing 10,000,000 common shares to the principal of WAK.

The acquisition of WAK does not constitute a business combination because these entities do not meet the definition of a business under IFRS 3 *Business Combination*. As a result, under IFRS, the transaction is being measured at the fair value of equity consideration issued to acquire these entities.

The value of net identified assets of these entities acquired in the acquisition is set out as follows:

Assets	$	11,409
Trade and other payables		(62,585)
Net liabilities assumed	$	(51,176)

Consideration	$	3,050,000
Net liabilities assumed		(51,176)
Unidentifiable assets acquired	$	3,101,176
Write off of unidentifiable assets acquired	$	(3,101,176)

13. **SUBSEQUENT EVENTS**

- On July 20, 2018, the Company issued 9,000,000 stock options to a consultant with an exercise price of $0.06 per stock option, expiring in 5 years. These options were exercised in August 2018 for gross proceeds of $540,000.

- On August 20, 2018, the Company entered into an acquisition agreement ("Agreement") to acquire 1175987 B.C. Ltd. By way of a three cornered amalgamation. The Company acquired two marijuana properties in the state of Oregon. Pursuant to the terms of the Agreement, the Company issued 73,164,000 common shares at a deemed price of $0.05 per share as total consideration to acquire all of the issued and outstanding common shares of 1175987 B.C. Ltd. In connection with the Agreement, the company issued 3,685,000 finder common shares to an arm's length party.