NEWLEAF BRANDS INC.
(Formerly New Age Brands Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

(Expressed in Canadian dollars)

UNIT# 168
4300 NORTH FRASER WAY
BURNABY, BC, V5J 5J8

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Adam Kim

ADAM SUNG KIM LTD.
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
NewLeaf Brands Inc. (formerly New Age Brands Inc.)

Opinion
I have audited the consolidated financial statements of NewLeaf Brands Inc. (formerly New Age Brands Inc.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its cash flow for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated financial statements section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of consolidated the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material Uncertainty Related to Going Concern
I draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $13,355,218 during the year ended December 31, 2018 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of $43,511,081 since its inception, and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

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

In connection with my audit of the consolidated financial statements, my 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 my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I are required to report that fact. I 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 IFRSs, 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
My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I are required to draw attention in my auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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 Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Adam Kim, CPA, CA.

“Adam Sung Kim Ltd.”
Chartered Professional Accountant

UNIT# 168
4300 NORTH FRASER WAY
BURNABY, BC V5J 5J8
April 30, 2019

NEWLEAF BRANDS INC. (FORMERLY NEW AGE BRANDS INC.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

As at	December 31, 2018 $	December 31, 2017 $
Current		
Cash	**11,085**	2,370,660
Loans receivable (Note 9)	**216,537**	282,262
Inventory	**7,891**	-
Prepaid and deposits (Note 6)	**257,831**	-
	493,344	2,652,922
Deposit on acquisition (Note 4 and Note 6)	**98,070**	64,430
Property, plant and equipment (Note 7)	**4,616,376**	68,354
Total assets	**5,207,790**	2,785,706
Current		
Accounts payable	**78,731**	61,620
Accrued liabilities	**25,000**	328,250
Promissory note (Note 11)	**300,000**	-
Convertible debenture (Note 11)	**1,440,909**	-
Current portion of note payable (Note 10)	**-**	8,375
Due to related parties (Note 15)	**-**	1,062,950
	1,844,640	1,461,195
Long term portion of note payable (Note 10)	**-**	70,643
Total liabilities	**1,844,640**	1,531,838
Shareholders' equity		
Shares capital (Note 12)	**40,468,336**	25,367,943
Shares to be issued	**-**	125,000
Accumulated other comprehensive loss	**(55,656)**	-
Contributed surplus	**6,461,551**	5,916,788
Deficit	**(43,511,081)**	(30,155,863)
Total shareholders' equity	**3,363,150**	1,253,868
Total liabilities and shareholders' equity	**5,207,790**	2,785,706

Nature and continuance of operations (Note 1) and **Subsequent events** (Note 17)

Approved on behalf of the Board on April 30, 2019

"Ben Martch"
Director – Ben Martch

"David Joshua Bartch"
Director – David Joshua Bartch

NEWLEAF BRANDS INC. (FORMERLY NEW AGE BRANDS INC.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

	Year Ended	
	December 31, 2018	**December 31, 2017**
	$	**$**
Sales	**207,655**	-
Cost of goods sold	**(109,822)**	-
	97,833	-
Expenses		
Advertising	**730,220**	693,828
Amortization (Note 7)	**21,763**	246,578
Bank charges	**11,779**	2,346
Consulting (Note 15)	**1,655,762**	4,833,389
Directors' fees (Note 15)	**150,738**	99,000
Foreign exchange loss (gain)	**(97,320)**	46,180
Insurance	**9,850**	5,336
Interest (Note 11)	**69,947**	6,895
Office and miscellaneous	**175,763**	21,792
Rent	**25,854**	-
Professional fees	**166,775**	42,880
Utilities and property taxes	**6,153**	17,627
Transfer agent, listing and filing fees	**25,415**	28,900
Travel	**94,247**	3,699
Share based payments (Note 12)	**2,602,634**	9,608,330
	5,649,580	15,656,780
Other income (expense)		
Management termination cost (Note 15)	**(4,535,000)**	-
Reserve on loan receivable (Note 9)	**(238,735)**	(97,918)
Write-off of property plant and equipment	**(68,354)**	(1,863,248)
Write-off of note payable	**83,277**	-
Consideration paid in excess of net assets acquired from WAK (Note 4)	**(3,101,176)**	-
Interest income	**18,616**	-
Gain on settlements of debts	**37,901**	60,000
Total expenses	**(13,453,051)**	(17,557,946)
Loss for the year	**(13,355,218)**	(17,557,946)
Foreign currency translation adjustment	**(55,656)**	-
Comprehensive loss for the year	**(13,410,874)**	(17,557,946)
Loss and comprehensive loss per share	**(2.44)**	(6.30)
Weighted average number of shares outstanding	**5,470,305**	2,818,717

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

NEWLEAF BRANDS INC. (FORMERLY NEW AGE BRANDS INC.)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIENCY)
(EXPRESSED IN CANADIAN DOLLARS)

	Number of Shares	Share Capital	Contributed Surplus*	Shares to be issued	Accumulated Other Comprehensive Income (loss)	Deficit	Shareholders' Equity
Balance, December 31, 2016	**2,356,963**	**$ 11,489,954**	**$ 2,433,148**	**$ -**	**$ -**	**$ (12,597,917)**	**$ 1,325,185**
Exercise of warrants	526,178	2,682,600		-	-	-	2,682,600
Fair value of warrants transferred	-	1,880,110	(1,880,110)	-	-	-	-
Exercise of options	902,222	4,684,000	-	-	-	-	4,684,000
Fair value of options transferred	-	4,244,580	(4,244,580)	-	-	-	-
Shares issued for services	17,250	79,768	-	-	-	-	79,768
Shares issued to settle debt	88,889	390,000	-	-	-	-	390,000
Subscription receivable	-	(83,069)	-	-	-	-	(83,069)
Shares based payments, options granted and warrants issued	-	-	9,608,330	-	-	-	9,608,330
Shares to be issued	-	-	-	125,000	-	-	125,000
Loss for the year	-	-	-	-	-	(17,557,946)	(17,557,946)
Balance, December 31, 2017	**3,891,502**	**$ 25,367,943**	**$ 5,916,788**	**$ -**	**$ -**	**$ (30,155,863)**	**$ 1,253,863**
Balance, December 31, 2017	**3,891,502**	**$ 25,367,943**	**$ 5,916,788**	**$ 125,000**	**$ -**	**$ (30,155,863)**	**$ 1,253,868**
Exercise of warrants	320,409	2,165,171	-	(125,000)	-	-	2,040,171
Fair value of warrants transferred	-	1,449,129	(1,449,129)	-	-	-	-
Exercise of options	238,888	752,500	-	-	-	-	752,500
Fair value of options transferred	-	608,742	(608,742)	-	-	-	-
Shares issued in acquisition of WAK	222,222	3,050,000	-	-	-	-	3,050,000
Issuance of common stock for management termination	660,000	2,227,500	-	-	-	-	2,227,500
Shares issued in acquisition of Oregon Properties	1,625,867	4,389,840	-	-	-	-	4,389,840
Finders shares issued in acquisition of Oregon Properties	81,293	219,492	-	-	-	-	219,492
Subscription receivable	-	238,019	-	-	-	-	238,019
Share based compensation	-	-	2,602,634	-	-	-	2,602,634
Foreign currency translation adjustment	-	-	-	-	(55,656)	-	(55,656)
Loss and comprehensive loss for the year	-	-	-	-	-	(13,355,218)	(13,355,218)
Balance, December 31, 2018	**7,040,181**	**40,468,336**	**6,461,551**	**-**	**(55,656)**	**(43,511,081)**	**3,363,150**

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

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

NEWLEAF BRANDS INC. (FORMERLY NEW AGE BRANDS INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

For the year ended,		December 31, 2018		December 31, 2017
Cash flows used in				
Operating activities				
Loss and comprehensive loss for the year	$	**(13,355,218)**	$	(17,557,946)
Items not affecting cash:				
Amortization		**21,763**		246,578
Foreign exchange		**(16,780)**		-
Interest income		**(7,736)**		
Interest expense		**63,409**		-
Management termination costs		**3,905,000**		-
Gain on settlement of debts		**(37,901)**		(60,000)
Shares issued for services		**19,500**		79,768
Consideration paid in excess of net assets acquired from WAK		**3,101,176**		-
Write-off of notes payable		**(83,277)**		
Reserve on loan receivable		**238,735**		97,918
Write off of property, plant and equipment		**68,354**		1,863,248
Shares based payments		**2,602,634**		9,608,330
		(3,480,341)		(5,722,104)
Changes in non-cash working capital items:				
Inventory		**(7,892)**		
Prepaid and deposits		**(257,831)**		-
Accounts payable and accrued liabilities		**(238,964)**		418,030
Net cash used in operating activities		**(3,985,028)**		(5,304,074)
Investing activities				
Transaction cost pursuant to acquisition of Oregon Properties		**(19,728)**		-
Deposit on acquisition		**(98,070)**		(64,430)
Cash transferred upon acquisition of WAK		**6,000**		-
Loans receivable		**(140,172)**		(380,180)
Purchase of property, plant and equipment		**(9,126)**		(95,429)
Net cash used in investing activities		**(261,096)**		(540,039)
Financing activities				
Loan repayment		**(1,062,950)**		(50,000)
Note payable		**(8,894)**		(11,960)
Due to related parties		**-**		305,618
Proceeds from issuance of common shares		**-**		25,930
Subscription receivable		**218,519**		-
Exercise of stock options		**752,500**		4,775,000
Exercise of warrants		**2,040,171**		2,607,600
Net cash provided from financing activities		**1,939,346**		7,652,188
Foreign exchange on cash		**(52,797)**		-
Increase in cash and cash equivalents during the year		**(2,306,778)**		1,808,075
Cash and cash equivalents, beginning of the year		**2,370,660**		562,585
Cash and cash equivalents, end of the year	$	**11,085**	$	2,370,660
Interest paid	$	**4,924**	$	6,895
Non-cash Transactions:				
Shares issued for the acquisition of WAK	$	**3,050,000**	$	-
Shares issued for the acquisition of Oregon Properties	$	**4,389,840**	$	-
Finder shares issued for the acquisition of Oregon Properties	$	**219,492**	$	-
Issuance of shares to settle debts and for services	$	**-**	$	469,768
Issuance of shares for management termination	$	**2,227,500**	$	-

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

1. NATURE AND CONTINUANCE OF OPERATIONS

NewLeaf Brands Inc. (formerly 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, to New Age Brands Inc. on November 14, 2018 and to NewLeaf Brands Inc. on April 12, 2019. The Company listed its common shares on the Canadian Securities Exchange and began trading on August 18, 2014. The Company's principal business is the development, market and distribution of Cannabidiol ("CBD") products and operation of real estate and farm properties in Washington Statement, USA.

The registered address, head office, principal address and records office of the Company are located at 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

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 Brands Inc. 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 December 31, 2018, the Company had not yet achieved profitable operations, has accumulated losses of $43,511,081 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 consolidated financial statements.

EXPRESSED IN CANADIAN DOLLAR

Statement of Compliance, Consolidation and Basis of Presentation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

During the year ended December 31, 2018, the Company acquired and incorporated various subsidiaries. The Company's structure is represented by NewLeaf Brands Inc., parent company, and the following subsidiaries:

Name	Incorporated in	Interest
New Age Farm Washington, LLC	US	100%
1176392 B.C. Ltd.	Canada	100%
Kured Latin America, LLC	US	100%
We are Kured, LLC	US	100%

All inter-company transactions and balances have been eliminated in the consolidated financial statement presentation. These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in the below.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

The following is the Company's new accounting policy for financial instruments under IFRS 9:

Classification
The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading 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 liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash and loans receivable	Amortized cost	Amortized cost
Accounts payable and accrued liabilities, due to related parties, note payable and convertible debenture	Amortized cost	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive loss on January 1, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Financial assets through other comprehensive income ("FVTOCI")
Financial assets that meet the following conditions are measured at FVTOCI:
- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not currently hold any financial instruments designated as FVTOCI.

Equity instruments designated as FVTOCI
On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured 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 OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings. The Company does not currently hold any equity instruments designated as FVTOCI.

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 Company measures the loss allowance for the financial asset 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 Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

IFRS 15, Revenue from Contracts with Customers

The Company adopted IFRS 15 – Revenue from contracts with customers on January 1, 2018 in accordance with the transitional provisions of the standard. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS15 is effective for reporting periods beginning on or after January 1, 2018 with early application permitted.

There was no material impact on the Company's financial statements upon adoption of this standard.

Foreign currency translation

The functional currency of the Company, as determined by management, is the Canadian dollar and this is also the currency in which it presents these financial statements. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the statement of operation and comprehensive operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Share based Compensation

The Company operates an employee stock option plan. Share based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant vesting periods. Share based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using a BlackScholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and deferred expenditures

The Company records property, plant and equipment at cost less accumulated amortization and accumulated impairment losses. It recognizes amortization to write off the cost of assets less their residual values over their useful lives, using the following methods and rates: Motor vehicle and tractor - 30% declining balance Deferred costs - Over term of lease with tenants An item of property, plant and equipment and deferred expenditures is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. Where an item of property, plant and equipment and deferred costs consist of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment and deferred expenditures. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

Loss per share

The Company calculates basic loss per share by dividing the loss for the year by the weighted average number of common shares outstanding during the year. It calculates diluted loss per share in a similar manner, except that it increases the weighted average number of common shares outstanding, using the treasury stock method, to include common shares potentially issuable from the assumed exercise of stock options and other instruments, if dilutive. In the Company's case, these potential issuances are "anti-dilutive" as they would decrease the loss per share; consequently, the amounts calculated for basic and diluted loss per share are the same.

Income taxes

Income tax expense 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. Current tax expense is the expected tax payable on 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 using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and 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 end of the reporting period. 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.

Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether any indication exists that any of those assets have suffered an impairment loss. If any such indication exists, it estimates the asset's recoverable amount to determine the extent of the impairment loss (if any). Where it is not possible to estimate an individual asset's recoverable amount, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where it can identify a reasonable and consistent basis of allocation, it also allocates corporate assets to individual cash generating units, or otherwise allocates them to the smallest group of cash-generating units for which it can identify a reasonable and consistent allocation basis. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Company discounts estimated future cash flows to their present value using a pre-tax discount rate. This rate reflects current market assessments of the time value of money and also reflects the risks specific to the asset (unless these risks are reflected in the estimates of future cash flows). If the Company estimates an asset or cash-generating unit's recoverable amount to be less than its carrying amount, it reduces the carrying amount to the recoverable amount, recognizing an impairment loss immediately in profit or loss. Where an impairment loss subsequently reverses, the Company increases the asset or unit's carrying amount to the revised estimate of its recoverable amount, without exceeding the carrying amount that would have been existed if no impairment loss had been recognized in prior years. It recognizes a reversal of an impairment loss immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting standards

The following standards have been issued but are not yet effective.

IFRS 16, Leases
In January 2016, the IASB issued IFRS 16, Leases, which supersedes IAS 17, Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases. The standard establishes a single model for lessees to bring leases on-balance sheet while lessor accounting remains largely unchanged and retains the finance and operating lease distinctions. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include valuation of share-based payments and recognition of deferred income tax amounts.

Valuation of share-based payments
The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax 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.

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.

EXPRESSED IN CANADIAN DOLLAR

4. ACQUSTION OF 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 222,222 common shares of the Company. During the year ended December 31, 2017, the Company advanced $64,430 (USD $50,000) upon signing the agreement. On January 2, 2018, the Company issued 222,222 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 222,222 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 purchase price was determined based on IFRS 2 – Share Based Payments and allocated 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
Consideration paid in excess of net assets acquired from WAK	$	(3,101,176)

5. ACQUSITION OF 1175987 B.C. LTD.

On August 20, 2018, through the Company's wholly owned subsidiary, 1176392 B.C. Ltd., the Company acquired 100% interest in 1175987 B.C Ltd ("Oregon Properties"). 1175987 B.C. Ltd. owned 100% interest in cave junction, Oregon and 100% interest in an established property Portland, Oregon. The Company issued 1,625,867 common shares with a fair value of $4,389,840. The Company paid transaction costs of $19,728 and 81,293 finder common shares with a fair value of $219,492. Subsequently, 1176392 B.C. Ltd. and 1175987 B.C. Ltd. were amalgamated as one company under the name of 1176392 B.C. Ltd. on August 28, 2018.

The acquisition of 1175987 B.C. Ltd. 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 purchase price was determined based on IFRS 2 - Share Based Payments and allocated as follows using a relative fair value approach:

Land (note 7)	$	3,061,800
Building (note 7)		1,567,260
Net assets assumed	$	4,629,060
Transaction costs	$	19,728
81,293 Finder Common Shares		219,492
1,625,867 Common Shares		4,389,840
Consideration	$	4,629,060

EXPRESSED IN CANADIAN DOLLAR

6. PREPAIDS AND DEPOSITS

	December 31, 2018 $	December 31, 2017 $
Consulting	237,004	-
Rent	20,827	-
	257,831	-

On September 25, 2018, the Company entered into a definitive agreement ("Definitive Agreement") with Drink Fresh Water, LLC ("DFW"). Pursuant to the Definitive Agreement, the Company acquired an 100% interest of DFW in exchange for a cash payment of $98,070 (USD - $75,000) (paid) and 345,280 common shares of the Company. This transaction closed subsequent to the year ended December 31, 2018 and $98,070 has been recorded as deposit on acquisition.

7. PROPERTY, PLANT AND EQUIPMENT

	Sumas – Property and Facility $	Oroville – Property and Facility $	Equipment $	Land $	Building $	Total $
Cost						
Balance at January 1, 2017	199,609	942,739	30,000	-	-	1,172,348
Additions	-	110,130	-	-	-	110,130
Disposal	-	-	(14,700)	-	-	(14,700)
Balance at December 31, 2017	199,609	1,052,869	15,300	-	-	1,267,778
Additions	-	-	8,660	3,061,800	1,567,259	4,637,719
Balance at December 31, 2018	196,609	1,052,869	23,960	3,061,800	1,567,259	5,905,497
Accumulated amortization						
Balance at January 1, 2017	-	-	9,000	-	-	9,000
Amortization	-	154,371	6,300	-	-	160,671
Impairment	131,256	898,497	-	-	-	1,029,753
Balance at December 31, 2017	131,256	1,052,868	15,300	-	-	1,199,424
Amortization	-	-	866	-	20,897	21,763
Impairment	68,353	1	-	-	-	68,354
Foreign exchange	-	-	(420)	-	-	(420)
Balance at December 31, 2018	199,609	1,052,869	15,746	-	20,897	1,289,121
Net book values						
December 31, 2017	68,353	1	-	-	-	68,354
December 31, 2018	-	-	8,214	3,061,800	1,546,362	4,616,376

Pursuant to the acquisition of Oregon, the Company acquired land with a fair value of $3,061,800 and building of $1,567,259 (Note 5). The Company recorded amortization of $20,897 on the building during the year ended December 31, 2018.

During the year ended December 31, 2018, the Company discontinued its investment in the Sumas property. Subsequently, the Company impaired the Sumas property and wrote off $68,354.

EXPRESSED IN CANADIAN DOLLAR

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

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

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.

8. DEFERRED COSTS

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

- Sumas Property: 66,667 common shares were issued at fair value of $6.75 per share for total value of $450,000 to acquire a tenant on the Sumas Property in 2015;
- Oroville Property: 66,667 common shares were issued at fair value of $6.75 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 amortizing 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.

9. LOAN RECEIVABLE

	Arm's Length Receivable $	TeaLief Brands $	Total $
Balance, December 31, 2016			
Advances	380,180	-	380,180
Reserve	(97,918)	-	(97,918)
Balance, December 31, 2017	282,262	-	282,262
Advances	-	132,959	132,959
Interest	-	7,736	7,736
Reserve	(238,735)	-	(238,735)
Foreign exchange	24,683	7,632	32,315
Balance, December 31, 2018	68,210	148,327	216,537

EXPRESSED IN CANADIAN DOLLAR

9. LOAN RECEIVABLE (CONTINUED)

During the year ended December 31, 2018, the Company advanced a total loan of USD $102,750 (CAD $132,959) to TeaLief Brands and accrued interest of USD $5,978 (CAD $7,736). The loan bears interest of 10%, compounds annually and matures on July 1, 2019.

During the year ended December 31, 2017, the Company has loaned $387,063 (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 $96,766 (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. Subsequent to the year ended December 31, 2018, the Company entered into a Settlement Agreement ("Settlement Agreement") to collect USD $50,000 (CAD $68,210). Pursuant to the terms of the Settlement Agreement, the Company will be repaid USD $5,000 per month for 10 months from the effective date. As a result, the Company recorded loss on settlement of debts of $238,735 during the year ended December 31, 2018.

10. SECURED NOTE PAYABLE

	$
Balance, December 31, 2016	84,083
Interest	6,895
Repayments	(11,961)
Balance, December 31, 2017	79,017
Interest	6,527
Repayments	(8,894)
Foreign exchange	6,627
Default on Secured Note Payable	(83,277)
Balance, December 31, 2018	-

On October 31, 2015, the Company entered into a Secured Note Payable ("Secured Note Payable") with the seller of the Oroville Property in an amount of US$78,000 (Note 4). The Secured Note Payable was secured against the Oroville Property. During the year ended December 31, 2018, the Company recorded interest of $6,527 (2017 - $6,895). The Company made repayments of $8,894 (2017 - $11,961). The company defaulted on the Secured Note Payable and forfeited the Company's 50% ownership in the Oroville Property. The company wrote off the remaining note payable of $83,277 during the year ended December 31, 2018.

11. PROMISSORY AND CONVERTIBLE DEBENTURE

	December 31, 2018 $
Balance, December 31, 2017	-
Additions	300,000
Interest	-
Repayments	-
Balance, December 3,1 2018	300,000

Pursuant to the termination of former management, the Company issued $300,000 non-interest bearing Promissory Notes ("Promissory Notes") to the former CEO and CFO. The Promissory Notes are unsecured and due on demand.

CONVERTIBLE DEBENTURE

On June 8, 2018, the Company entered into convertible note agreements ("Convertible Notes") 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 "Holders"). The convertible note matured three months from the date of issuance and subsequently became on due on demand. The Convertible Notes have not been converted as of December 31, 2018. As at December 31, 2018, the Company accrued interest of $63,409 (Note 15).

12. SHARE CAPITAL

(a) Authorized: Unlimited common shares without par value
Issued: 7,040,181 common shares (December 31, 2017: 3,891,502 common shares)

During the year ended December 31, 2018, the Company has consolidated all of its issued and outstanding share capital on the basis of one (1) post- consolidation share for each forty-five (45) pre-consolidation common shares. Unless otherwise noted, all figures have been retroactively restated to reflect the share consolidation.

During the year ended December 31, 2018, 320,409 warrants at exercise prices ranging from $4.50 to $9.00 per share were exercised for gross proceeds of $2,165,171. Fair value of $1,449,129 was re-allocated from contributed surplus to share capital.

During the year ended December 31, 2018, the Company received subscription funds of $218,519 and services of $19,500.

During the year ended December 31, 2018, 238,888 options at exercise price ranging from $5.18 to $5.85 were exercised for gross proceeds of $752,500. Fair value of $608,742 was re-allocated from contributed surplus to share capital.

On January 2, 2018, 222,222 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 660,000 common shares with a fair value of $2,227,500 (Note 15).

On August 28, 2018, the Company issued 1,625,867 common shares at a fair value of $4,389,840 were issued to acquire the Oregon Properties. The Company issued 81,293 common finders shares with a fair value of $219,492.

(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.

On July 20, 2018, the Company granted 200,000 stock options at an exercise price of $2.70 per option with a term of five years expiring July 20, 2023. The grant date fair value of the options was measured at $435,517. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - $2.25; exercise price - $2.70; expected life - 5 years; volatility – 226%; dividend yield - $0; and risk-free rate – 2.06%. During the year ended, the Company exercised all of these options for gross proceeds of $540,000.

On September 17, 2018, the Company granted 67,998 stock options at an exercise price of $5.18 per option with a term of five years expiring September 17, 2023. The grant date fair value of the options was measured at $280,485. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - $4.50; exercise price - $5.40; expected life - 5 years; volatility – 223%; dividend yield - $0; and risk-free rate – 2.25%.

On October 3, 2018, the Company granted 111,111 stock options at an exercise price of $4.50 per option with a term of five years expiring October 3, 2023. The grant date fair value of the options was measured at $482,311. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - $4.50; exercise price - $4.50; expected life - 5 years; volatility – 224%; dividend yield - $0; and risk-free rate – 2.43%.

EXPRESSED IN CANADIAN DOLLAR

12. SHARE CAPITAL (CONTINUED)

(b) Stock Options (continued)

On October 29, 2018, the Company granted 237,778 stock options at an exercise price of $3.83 per option with a term of five years expiring October 29, 2023. The grant date fair value of the options was measured at $774,640. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - $3.60; exercise price - $3.83; expected life - 5 years; volatility – 223%; dividend yield - $0; and risk-free rate – 2.25%.

On December 20, 2018, the Company granted 222,222 stock options at an exercise price of $2.70 per option with a term of five years expiring December 20, 2023. The grant date fair value of the options was measured at $629,880. The options were measured using the Black-Scholes Option Pricing Model with the following assumptions: stock price - $3.15; exercise price - $2.70; expected life - 5 years; volatility – 220%; dividend yield - $0; and risk-free rate – 1.90%.

As at December 31, 2018 the Company had stock options outstanding and exercisable enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
1,111	$2.25	September 8, 2019
16,667	$5.85	December 12, 2019
5,556	$9.00	May 4, 2020
67,998	$5.18	September 17, 2023
55,555	$4.50	October 3, 2023
237,778	$3.83	October 29, 2023
222,222	$2.70	December 20, 2023
606,887	$3.73	

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

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2016	6,667	$	8.10
Granted	1,180,000		6.75
Exercised	(902,222)		5.40
Balance, December 31, 2017	284,445		11.47
Granted	839,109		3.46
Expired	(277,778)		11.34
Exercised	(238,889)		3.15
Balance, December 31, 2018	606,887	$	3.73

The stock options have a weighted average remaining life of 4.72 years.

EXPRESSED IN CANADIAN DOLLAR

12. SHARE CAPITAL (CONTINUED)

(c) Warrants

As at December 31, 2018, the Company had warrants outstanding and exercisable enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
34,888	$6.75	April 15, 2020
88,888	$10.80	November 27, 2019
51,112	$6.75	February 8, 2020
174,888	$8.81	

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

	Number of warrants		Weighted Average Exercise Price
Balance, December 31, 2016	**655,042**	$	7.20
Granted	444,444		5.85
Exercised	(526,178)		4.95
Cancelled	(5,280)		9.00
Balance, December 31, 2017	**568,028**		7.68
Exercised	(320,409)		6.76
Expired	(72,731)		9.00
Balance, December 31, 2018	**174,888**	$	8.81

13. 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, 2018 and 2017. The Company is not subject to externally imposed capital requirements.

EXPRESSED IN CANADIAN DOLLAR

14. 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.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at December 31, 2018 as follows:

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Assets				
Loans receivable	216,537	-	-	216,537
Cash	11,085	-	-	11,085
	227,622	-	-	227,622
Financial Liabilities				
Accounts payable	78,731	-	-	78,731
Promissory note	1,740,909	-	-	1,740,909
	1,819,640	-	-	1,819,640

(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 December 31, 2018, the Company had cash of $11,085 to settle current liabilities of $1,844,640. The Company has accounts payable of $103,731 (2017 - $398,870), promissory notes of $300,000 (2017 - $Nil) and convertible notes of $1,440,909 (2017 - $Nil). The promissory is non-interest bearing and convertible notes bear interest of 8% and are both due on demand.

EXPRESSED IN CANADIAN DOLLAR

14. FINANCIAL INSTRUMENTS AND RISK FACTORS (CONTINUED)

(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.

15. 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 *Year ended December 31, 2018*	Consulting fees $	Director fees $	Share Compensation $	Legal $
Carman Parente, former CEO	102,750	17,050	-	-
Anthony Chan, former CFO	54,538	13,500	-	-
David Johnson, former Director	23,152	10,600	-	-
Lorraine Pike, former Director	36,736	12,000	-	-
NHS Industries, former related Company	18,000	-	-	-
Company controlled by a director	-	39,193	93,495	13,805
Benjamin Martch, CEO of WAK	80,233	29,198	93,495	-
Joshua Bartch, CEO Of the Company	302,473	29,198	93,495	-
Total	617,882	150,739	280,485	13,805

Management Compensation *Year ended December 31, 2017*	Consulting fees $	Director fees $	Share Compensation $
Carman Parente, CEO	180,000	24,000	92,300
Anthony Chan, CFO	94,500	24,000	127,800
David Johnson, former Director	15,593	27,000	156,900
Lorraine Pike, former Director	58,215	24,000	99,400
NHS Industries Ltd. – Common former Officers and Directors	383,250	-	
Total	731,558	99,000	476,400

b) As at December 31, 2018 accounts payable and accrued liabilities were due to related parties of $Nil (2017 - $nil).

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.

EXPRESSED IN CANADIAN DOLLAR

15. RELATED PARTY TRANSACTIONS (CONTINUED)

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

- Issued 313,889 common shares to the former CEO with a fair value of $1,059,375.
- Issued 88,333 common shares to the former CFO with a fair value of $298,125.
- Issued 257,778 common shares to former Directors with a fair value of $870,000.

The Company agreed to also pay the following:

- Paid $210,000 to the former CEO
- Paid $183,750 to the former CFO
- Paid $236,250 to former directors of the Company.
- Issued a $160,000 non-interest bearing promissory note to the former CEO.
- Issued a $140,000 non-interest bearing promissory note to the former CFO.

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 December 31, 2018, the Company accrued interest of $63,409.

16. INCOME TAXES

The income taxes shown in the Consolidated Statements of Operations differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

	2018	2017
	27.0%	26.0%
	$	$
Loss for the year	**(13,355,218)**	(17,557,946)
Expected income tax recovery	**(3,602,909)**	(4,565,066)
Items deductible and not deductible for income tax purposes	**1,591,964**	2,561,895
Change in tax rates	**(75,291)**	(296,418)
Current and prior tax attributes not recognized	**2,089,236**	2,299,589
	-	-

Details of deferred tax assets are as follows:

	2018	2017
	$	$
Non-capital and capital loss carryforwards	**5,807,087**	3,745,318
Equipment and others	**71,814**	44,346
Unrecognized deferred tax assets	**(5,878,901)**	(3,789,664)
	-	-

As at December 31, 2018, the Company had approximately $21,000,000 of non-capital losses available, which begin to expire through to 2038 and may be applied against future taxable income.

At December 31, 2018, the net amount which would give rise to a deferred income tax asset has not been recognized as it is not probable that such benefit will be utilized in the future years.

17. SUBSEQUENT EVENTS

Subsequent to year end,

- The Company issued 345,280 common shares pursuant to the acquisition of Drink Fresh Water.
- The Company granted 237,778 stock options to a consultant with an exercise price of $2.25 per option and expires on February 28, 2024.
- The Company issued 345,778 common shares pursuant to options exercised.