
Newstrike Resources Ltd.

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2017**

(Unaudited and expressed in Canadian dollars)

Notice to Reader

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

The accompanying unaudited condensed consolidated interim financial statements of Newstrike Resources Ltd (the "Company") have been prepared by and are the responsibility of the company's management.

The unaudited condensed consolidated interim financial statements have not been audited or reviewed by the Company's independent auditors.

Newstrike Resources Ltd.

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian Dollars)

(Unaudited)

	As at June 30,	As at December 31,
ASSETS		
Current assets		
Cash	\$ 6,391,858	\$ 78,885
Marketable securities	35,000	-
Inventory	12,464	-
Biological Assets (Note 5)	819,207	-
HST receivable	345,430	85,764
Loan receivable (Note 6)	85,500	-
	7,689,459	164,649
Prepays and deposit (Note 7)	1,036,000	-
Property, plant and Equipment (Note 8)	3,724,464	2,363,565
Intellectual Property	7,344	-
License application (Note 9)	2,495,701	-
Total assets	\$ 14,952,968	\$ 2,528,214
LIABILITIES AND SHAREHOLDERS' (DEFICIENCY) EQUITY		
Current liabilities		
Amounts payable and accrued liabilities (Note 10)	\$ 1,411,130	\$ 349,796
Current portion of finance lease (Note 11)	338,750	115,419
Due to shareholder	10,170	14,406
	1,800,101	479,621
Non-Current Liabilities		
Finance Lease (Note 11)	1,828,875	803,942
Loans Payable	-	392,511
Total liabilities	3,526,149	1,676,074
Shareholders' equity		
Share capital (Note 12)	22,289,756	2,512,955
Reserves	68,335	106,671
Deficit	(10,931,272)	(1,767,486)
Total shareholders' equity	11,426,819	852,140
Total liabilities and shareholders' equity	\$ 14,952,968	\$ 2,528,214

Subsequent events (Notes 12 and 14)

Approved by the Board

"Scott Kelly"
Director

"Peter Hwang"
Director

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

Newstrike Resources Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	For the three months ended March 31, 2017	For the six months ended June 30, 2017
Expenses		
General and administrative expenses	\$ 4,881	\$ 119,076
Advertising and promotion	23,376	252,104
Consulting	107,016	300,144
Listing fee (Note 4)	7,077,884	7,077,884
Salaries and wages	76,311	308,322
Repairs and maintenance	-	10,619
Investor relations	-	70,392
Professional fees	172,890	696,681
Branding and web design	109,390	176,136
Finance costs	33,469	52,428
Loss before other items	\$ (7,605,217)	\$ (9,063,786)
Gain on sale of license (Note 9)	-	(100,000)
Loss on marketable securities	(22,000)	-
Net loss and comprehensive loss for the year	\$ (7,627,217)	\$ (9,163,786)
Basic and diluted net loss per share	\$ (0.04)	\$ (0.10)
Weighted average number of common shares outstanding - basic and diluted	192,299,752	93,950,865

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

Newstrike Resources Ltd.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

(Unaudited)

	Number of shares	Share capital	Equity reserve	Deficit	Total
Balance, January 1, 2017 ⁽¹⁾	27,770,481	\$ 2,512,955	\$ 106,671	\$ (1,767,486)	\$ 852,140
Share issuance – Hip Agreement (Note 7)	3,000,000	2,655,000	-	-	2,655,000
Options exercise (Note 12)	849,002	50	-	-	50
Options exercise (Note 12)	849,002	85,500	(7,300)	-	78,200
HPI debenture conversion (Note 12)	1,695,000	1,500,000	-	-	1,500,000
HPI debenture conversion (Note 12)	1,473,952	500,000	(36,027)	-	463,973
Shares issued – Transaction (Note 4)	282,607,274	-	-	-	-
Share capital of HPI (Note 4)	(37,119,946)	-	-	-	-
Share capital of Newstrike (Note 4)	45,104,580	6,049,561	507,500	-	6,557,061
Warrants exercised (Note 12)	17,975,000	1,348,125	(230,400)	-	1,117,725
Enderlein shares (Note 9)	2,820,001	2,495,701	-	-	2,495,701
Warrants exercised (Note 9)	16,000,000	2,000,000	(272,109)	-	1,727,891
Options exercised (Note 12)	560,000	84,750	-	-	84,750
Shares issued for cash (Note 12)	25,000,000	3,058,114	-	-	3,058,114
Net Loss for the period	-	-	-	(9,163,786)	(9,163,786)
Balance, June 30, 2017	388,584,346	\$ 22,289,127	\$ 68,335	(10,931,272)	\$ 11,426,819

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

Newstrike Resources Ltd.

Condensed Consolidated Interim Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

	For the six months ended June 30, 2017J
Operating activities	
Net loss (loss)	(9,163,786)
Adjustments for:	
Listing expense	7,077,884
Gain on sale of license	(100,000)
Non-cash working capital items:	
Accounts receivable and other assets	(259,666)
Amounts payable and other liabilities	129,861
Net cash provided by operating activities	(2,315,707)
Investing activities	
Purchase of biological assets	(580,257)
Investment in capital equipment	(1,589,849)
Net cash provided by investing activities	(1,589,849)
Financing activities	
Issuance of common shares in private placement	3,660,375
Proceeds from exercise of warrants	2,930,366
Lease financing	1,300,000
Cash acquired from the Transaction	930,049
Convertible debentures	2,000,000
Net cash provided by financing activities	10,218,529
Net change in cash	6,312,973
Cash, beginning of	78,885
Cash, end of year	6,391,858

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

Newstrike Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements For the six months ended June 30, 2017 (Expressed in Canadian Dollars) (Unaudited)

1. Nature of operations

Newstrike Resources Ltd. (the "Company") is a publicly traded company listed on the TSX Venture Exchange ("TSX-V") under the symbol HIP. The Company was initially engaged in the acquisition, exploration, and development of resource properties, until on May 29, 2017, the Company completed the acquisition of HPI Holdings Ltd. ("HPI") which resulted in a reverse take-over (the "Transaction") (Note 4).

As a result, the Company, through its wholly-owned subsidiary, is licensed to produce and subject to certain restrictions, sell medical marijuana. It is also an applicant to have its few remaining sales restrictions removed and to have the ability to sell medical marijuana to all authorized persons pursuant to the Access to Cannabis for Medical Purposes Regulations ("ACMPR").

The Company's head office and the registered and records office address as at June 30, 2017, at 390 Bay Street, Suite 612, Toronto, Ontario, M5H 2Y2 Canada.

2. Basis of preparation

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards board and interpretation of the International Financial Reporting Interpretations Committee.

The accounting policies and critical estimates applied by the Company in these Interim Financial Statements are the same as those applied in the Company's financial statements as at and for the year ended March 31, 2017. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

As HPI Holdings Ltd., and its subsidiaries, were non-reporting issuers during the six months ended June 30, 2016, no comparatives reported for the period were presented.

These condensed consolidated interim financial statements were approved by the Board of Directors on August 31, 2017, subject to the advice and input of the Company's accounting advisors in respect of disclosure required following the Transaction.

Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries: 1977121 Ontario Inc. ("1977121"), Up Cannabis Inc. ("Up Cannabis") and Enderlein Nurseries Ltd. ("Enderlein"). All intercompany balances and transactions were eliminated on consolidation.

3. Significant accounting policies

Use of estimates and judgements

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed consolidated interim financial

Newstrike Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences.

3. Significant accounting policies (Continued)

Biological assets

The Company measures biological assets consisting of medical cannabis plants at fair value less cost to sell up to the point of harvest. Gains or losses arising from the changes in fair value less the cost to sell during the year are included in the results of operations for the related year.

Intangible assets

Intangible assets with finite useful lives are comprised of costs incurred to acquire licenses and intellectual property, all of which are recorded at cost less accumulated amortization and accumulated impairment losses. The deferred patents costs are amortized on a straightline basis over the life of the related patent once the patent has been awarded. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset. Other development expenditures are recognized as general and administrative expenses.

Intangible assets with indefinite useful lives are tested on an annual basis and wherever there is an indication that the asset may be impaired.

4. The Transaction

The Transaction was structured as a three-cornered amalgamation (the "Amalgamation") pursuant to which HPI amalgamated with a wholly-owned subsidiary of Newstrike to form an amalgamated entity, 1977121.

This resulted in a reverse take-over of the Company by the shareholders of 1977121. At the time of this Transaction the Company did not constitute a business as defined under IFRS 3 Business Combination; therefore, the Transaction is accounted under IFRS 2 Share-Based Payment, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a listing expense to net loss. As 1977121 is deemed to be the accounting acquirer for accounting purposes, its assets, liabilities and operations are included in the financial statements at their historical carrying values.

On May 29, 2017, The Transaction closed and each HPI share was converted into approximately 7.077 shares of the Company in accordance with an exchange ratio (the "Exchange Ratio") that was agreed-upon by the parties to the Transaction.

Consideration	\$ 8,545,262
Fair value of stock options	252,500
Fair value of warrants	255,000
Net assets acquired	1,974,878
Listing fee	\$ 7,077,884

Newstrike Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

The fair value of the issued common shares of the Company was estimated to be \$0.125 per share using the price per share issued as part of a financing by the Company that was completed concurrently with - and as a condition of - the Transaction.

5. Biological assets

As at June 30, 2017, the Company had not received its license to sell under the ACMPR. As a result, the Company's biological assets are recorded at cost and no change in the fair value of biological assets was recognized.

The Company commenced the process of growing medical cannabis in January 2017. All of the plants are to be harvested as agricultural produce.

6. Loan receivable

The amount is unsecured, bears interest at 4.75% and is due on March 14, 2018. The amount is receivable from a company with a common director of the Company.

7. Prepays and deposit

	June 30, 2017
Deposit (Note 14)	\$ 151,000
Prepaid	885,000
	\$ 1,036,000

During the period ended June 30, 2017, the Company entered in a licensing and promotional services/advisory agreement with the Tragically Hip (the "Hip Agreement"). The consideration was 3,000,000 common shares and an ongoing royalty of 2.5% of revenues of product created with the input and guidance of the Tragically Hip. The issuance of the 3,000,000 common shares includes a payment of 1,000,000 shares against future royalties payable.

Management has estimated that the aggregate value of the 3,000,000 common shares issued under the Hip Agreement to be approximately \$2,655,000 based on the implied fair value of \$0.885 per share.

Newstrike Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements
For the six months ended June 30, 2017
(Expressed in Canadian Dollars)
(Unaudited)

8. Property, plant and equipment

Cost	Balance at January 1, 2017	Additions	Balance at June 30, 2017
Computers	\$ 46,760	\$ 77,179	\$ 123,939
Leasehold improvements	801,689	33,632	835,322
Production equipment	475,972	146,364	622,336
Office furniture	-	41,511	41,511
Security equipment	280,168	1,162	281,330
Building (Note 11)	621,332	-	621,322
Equipment (Note 11)	-	1,300,000	1,300,000
Land (Note 11)	310,661	-	310,661
Cost - total	\$ 2,536,573	\$1,589,849	\$ 4,136,422
Accumulated amortization			
Computers	\$ (15,571)	\$ (8,172)	\$ (23,743)
Leasehold improvements	(44,718)	(30,797)	(75,515)
Production equipment	(72,276)	(29,175)	(101,451)
Office furniture	-	(263)	(263)
Security equipment	(28,017)	(28,117)	(56,133)
Equipment under lease	-	(130,000)	(130,000)
Building under finance lease	(12,427)	(12,426)	(24,853)
Accumulated amortization - total	\$ (173,008)	\$ (238,950)	\$ (411,958)
Total	\$ 2,363,745		\$ 3,724,464

9. Enderlein acquisition

On May 29, 2017, the Company acquired the shares of Enderlein Nurseries Ltd. ("Enderlein") for consideration of \$2,495,701 paid for by the issuance of 2,820,001 shares of HPI and the issuance to the Enderlein shareholders of warrants to effectively acquire an aggregate of 16,000,000 shares of the Company at an exercise price of \$0.125 per share [see Note 12]. Management has determined that Enderlein does not have the inputs and processes capable of producing inputs that are necessary to meet the definition of a business as defined by IFRS 3. Therefore, the acquisition is accounted for as a share-based payment whereby the Company has acquired the net assets of Enderlein. The sole asset of Enderlein is an in-progress application to produce medical cannabis under the ACMPR.

Enderlein entered into a parallel transaction to sell an application under the ACMPR that the Company determined was not core to the achievement of its growth strategy for \$100,000.

10. Amounts payable and accrued liabilities

	June 30, 2017
Accounts payable	\$ 1,250,400
Accrued liabilities	160,730
	\$ 1,411,130

Newstrike Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements
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(Expressed in Canadian Dollars)
(Unaudited)

11. Leases

The Company entered into a lease related to their building and land in June 2016. This lease is for 3 years in duration ending June 30, 2019.

On January 1, 2017, the Company entered into a lease for production equipment. The Company's finance lease is for a 5 year duration ending on December 31, 2021. The lease has an interest rate of 15%.

Finance Leases	June 30, 2017
Minimum lease payments:	
No later than 1 year	\$ 450,668
Later than 1 year, but no later than 5 years	2,381,621
	2,832,288
Less: future finance charges	(669,663)
Present value of minimum lease payments	2,162,625
<hr/>	
Current liabilities	338,750
Non-current liabilities	1,828,875
Present value of minimum lease payments	\$ 2,162,625

12. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Common shares issued - HPI

During the period ended June 30, 2017, 849,002 options of HPI were exercised resulting in the issuance of 849,002 HPI shares for proceeds of \$50.

During the period ended June 30, 2017, an additional 849,002 options of HPI were exercised resulting in the issuance of 849,002 HPI shares for proceeds of \$85,500 which was funded by an advance from HPI (Note 6). As part of the Transaction, these HPI shares were exchanged for shares of Newstrike in accordance with the Exchange Ratio.

During the period ended June 30, 2017, the Company issued non-interest bearing convertible debentures with an aggregate principal value of \$1,500,000. These debentures were converted into 1,695,000 HPI shares.

On completion of the Transaction, a \$500,000 convertible note, issued by HPI, was converted into 1,473,953 HPI shares of HPI.

During the period ended June 30, 2017, 1,473,952 options to purchase shares of HPI were exercised and 1,473,952 shares of HPI issued, pursuant to a consulting agreement.

On May 29, 2017, the Transaction (Note 4) was completed and the Company acquired all issued and outstanding shares of HPI Holdings Ltd in exchange for an aggregate of approximately 282,607,274 shares of the Company.

Newstrike Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements For the six months ended June 30, 2017 (Expressed in Canadian Dollars) (Unaudited)

Warrant Exercises - Newstrike

During the period ended June 30, 2017, 17,975,000 warrants of the Company were exercised for proceeds of \$1,348,125.

During the period ended June 30, 2017, the Company issued 25,000,000 shares for gross proceeds of \$3,125,000, less commissions and related fees of \$66,886 in relation to the facilitation of this financing activity.

Warrants issued in respect of the Enderlein transaction which entitled the holders to acquire shares in the Company at an effective exercise price of \$0.125 per share and which were due to expire on June 30, 2017, were exercised for gross proceeds of \$2,000,000 as at June 30, 2017 resulting in the issuance of 2,000,000 shares of the Company on or about August 17, 2017.

Stock options

Details of stock options outstanding and exercisable at June 30, 2017 are as follows:

	Number of options
June 30, 2017	1,400,000

The weighted average exercise price and weighted average life are \$0.17 and 2.9 years, respectively.

Warrants

	Number of warrants
January 1, 2017	20,000,000
Exercised	(17,975,000)
June 30, 2017	2,025,000

The weighted average exercise price and weighted average life are \$0.075 and 4.42 years, respectively.

12. Related party disclosures

Summary of key management personnel compensation:

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and corporate officers.

Newstrike entered into the following transactions with related parties:

On February 1, 2017, Nugen Capital Corp, a company controlled by Mr Peter Hwang a director entered into a consulting agreement for marketing and branding expertise, for a retainer of \$7,500 per month.

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Notes to Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited)

Effective January 1, 2017, the Company entered into an arrangement with Enerworks Inc., a corporate entity, beneficially controlled by the Van Haeren family, to finance the final build-out of the Up Cannabis - Primary Facility.

In July 2017, the Company arranged for a short-term, secured acquisition facility in the amount of \$4,000,000 (the "Short Term Facility") funded by a syndicate led by a contribution of \$3.0 million by Beechhill Capital Corp. which is an investment entity controlled by the Van Haeren family and the balance of \$1.0 million provided by a syndicate of shareholders, directors and officers of Newstrike.

13. Subsequent events

On July 26, 2017, the Board of Directors granted 22,584,795 options. The options have a term on 3 years, exercise price of \$0.38 and 4,000,000 vest immediately while the remaining shares vest over the following 2 years.

On July 27, 2017, the Company purchased land and a greenhouse in Beamsville, Ontario for \$7,300,000, funded in part by the Short Term Facility which is due on February 15, 2018, bears interest at 15% and is secured by certain assets of the Company.