



# newstrike

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**Newstrike Resources Ltd.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2018**

(Unaudited)

(Expressed in Canadian dollars)

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# Newstrike Resources Ltd.

## Condensed Interim Consolidated Statements of Financial Position

As at,

(Expressed in Canadian Dollars)

As at	March 31, 2018	December 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 88,448,004	\$ 811,028
Other receivables (Note 3)	1,522,119	724,889
Prepays	274,586	25,216
Biological assets (Note 5)	1,479,930	1,393,345
Inventory (Note 4)	5,793,535	4,025,509
Loan receivable (Note 6)	-	88,602
	97,518,174	7,068,589
Deposits and prepaids	1,079,156	641,975
Prepaid – HIP (Note 7)	885,000	885,000
Intellectual property	9,966	7,344
License – HIP (Note 7)	1,338,919	1,427,419
License application (Notes 8 and 19)	2,365,179	2,365,179
Property, plant and equipment (Note 9)	14,459,635	12,485,920
<b>TOTAL ASSETS</b>	<b>\$ 117,656,029</b>	<b>\$ 24,881,426</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 10)	\$2,675,086	\$ 2,976,929
Finance lease - current (Note 11)	28,641	533,831
Secured loan (Note 12)	-	4,011,408
Due to shareholder	10,170	10,170
Convertible debenture (Note 13)	-	3,290,617
Payment received in advance	146,561	-
	2,860,458	10,822,955
<b>NON-CURRENT LIABILITIES</b>		
Finance lease (Note 11)	870,230	1,481,025
<b>TOTAL LIABILITIES</b>	<b>3,730,688</b>	<b>12,303,980</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 14)	84,127,115	24,282,784
Reserves (Note 14)	42,560,405	3,418,988
Equity portion of convertible debt	-	731,166
Deficit	(12,762,179)	(15,855,492)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>113,925,341</b>	<b>12,577,446</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 117,656,029</b>	<b>\$ 24,881,426</b>

Contingency (Note 17)

Subsequent events (Note 19)

Approved by the Board

"Jay Wilgar"

Director

"Stephen Smith"

Director

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

## Newstrike Resources Ltd.

### Condensed Interim Consolidated Statements of Comprehensive Income (Loss) (Expressed in Canadian Dollars)

	For the three months ended March 31, 2018	For the three months ended March 31, 2017
<b>COST OF SALES</b>		
Unrealized gain on changes in fair value of biological asset (Note 5)	\$ 896,820	\$ -
<b>EXPENSES</b>		
Accretion and interest expenses	586,988	33,470
Advertising and promotion	445,521	24,324
Amortization (Note 9)	88,500	-
Branding, web design	91,336	109,390
Consulting (Note 15)	518,413	116,113
Filing fees	127,358	-
General and administrative expenses	42,545	176,825
Insurance	14,285	-
Investor relations	77,765	-
Meals and entertainment	18,043	-
Vehicle expense	10,385	-
Professional fees	758,428	190,496
Rent	70,161	-
Repairs and maintenance	28,187	2,380
Salaries and wages (Note 15)	621,439	76,311
Share-based payments (Notes 14 and 15)	3,740,609	-
Site assessment consulting	1,693	-
Telecommunications and utility	42,737	-
Transfer agent fees	11,849	-
Training and development	11,205	-
Travel	72,647	-
	(7,380,094)	(729,309)
<b>OTHER ITEMS</b>		
Gain on disposal of property, plant and equipment (Note 9)	13,334	-
Termination fee income (Note 18)	9,500,000	-
Other income	13,900	-
Interest income	49,353	-
	9,576,587	-
<b>COMPREHENSIVE INCOME (LOSS)</b>	<b>\$ 3,093,313</b>	<b>\$ (729,309)</b>
<b>EARNINGS (LOSS) PER SHARE – BASIC AND DILUTED</b>	<b>\$ 0.01</b>	<b>\$(0.02)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<b>435,550,144</b>	<b>30,233,148</b>

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

**Newstrike Resources Ltd.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**

	For the three months ended March 31, 2018	For the three months ended March 31, 2017
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ 3,093,313	\$ (729,309)
Items not involving cash:		
Unrealized gain on changes in fair value of biological assets	(896,820)	-
Accretion and interest expenses	496,414	-
Amortization – license – HIP	88,500	-
Share-based compensation	3,740,609	-
	6,522,016	(729,309)
Net changes in non-cash working capital items:		
Other receivables	(797,230)	(280,008)
Inventory	131,397	-
Biological assets	(965,445)	-
Accounts payable and accrued liabilities	(267,520)	107,393
Prepays	(269,146)	(826,417)
Payment received in advance	146,561	-
<b>Cash provided by (used in) operating activities</b>	<b>4,500,633</b>	<b>(1,728,341)</b>
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(2,097,457)	(100,496)
Deposits and prepaids	(417,405)	-
HIP License	-	(1,692,919)
Purchase of intellectual property	(2,622)	-
<b>Cash used in investing activities</b>	<b>(2,517,484)</b>	<b>(1,793,415)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issuances, net of share issuance costs	86,359,928	2,836,434
Proceeds from issuance of convertible debentures	-	1,500,000
Repayment of accrued interest on convertible debentures	(80,000)	-
Issuance (repayment) of shareholder loans	88,602	(171,918)
Proceeds from share issuance - exercise of options	213,735	-
Proceeds from share issuance - exercise of warrants	4,621,584	-
Repayment of secured loans	(4,011,408)	-
Finance lease payments	(1,538,614)	-
<b>Cash provided by financing activities</b>	<b>85,653,827</b>	<b>4,164,516</b>
Change in cash	87,636,976	642,760
Cash, beginning of the period	811,028	78,885
<b>Cash, end of the period</b>	<b>\$ 88,448,004</b>	<b>\$ 721,645</b>

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

**Newstrike Resources Ltd.****Condensed Interim Consolidated Statement of Changes in Shareholders' Equity****(Expressed in Canadian Dollars)**

	Number of outstanding shares	Share capital	Reserves	Equity portion of convertible debt	Deficit	Total
<b>Balance, January 1, 2018</b>	<b>389,699,346</b>	<b>\$ 24,282,784</b>	<b>\$ 3,418,988</b>	<b>\$ 731,166</b>	<b>\$ (15,855,492)</b>	<b>\$ 12,577,446</b>
Shares issued for cash	69,701,500	50,453,134	35,906,794	-	-	86,359,928
Shares issued for debt conversion	10,958,904	4,000,000	-	(731,166)	-	3,268,834
Exercise of stock options	819,281	428,698	(165,071)	-	-	263,627
Exercise of warrants	11,196,613	4,962,499	(340,915)	-	-	4,621,584
Share-based compensation	-	-	3,740,609	-	-	3,740,609
Comprehensive income for the period	-	-	-	-	3,093,313	3,093,313
<b>Balance, March 31, 2018</b>	<b>482,375,644</b>	<b>\$ 84,127,115</b>	<b>\$ 42,560,405</b>	<b>\$ -</b>	<b>\$ (12,762,179)</b>	<b>\$ 113,925,341</b>

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

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# **Newstrike Resources Ltd.**

## **Notes to Condensed Interim Consolidated Financial Statements**

**For the three months ended March 31, 2018**

**(Expressed in Canadian Dollars)**

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### **1. Nature of operations**

Newstrike Resources Ltd. (the "Company" or "Newstrike") is a publicly traded company listed on the TSX Venture Exchange ("TSX-V") under the symbol HIP. The Company is licensed to produce and sell medical marijuana pursuant to the Access to Cannabis for Medical Purposes Regulations ("ACMPR"). The Company's head office and the registered and records office address is 390 Bay Street, Suite 612, Toronto, Ontario, M5H 2Y2 Canada.

### **2. Basis of presentation and statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of the interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting.

The notes presented in these condensed consolidated interim financial statements include only significant events and transactions occurring since the Company's last fiscal year end and they do not include all of the information required in the Company's most recent annual consolidated financial statements. These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the Company's annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017, which were prepared in accordance with IFRS as issued by IASB. There have been no changes in judgment or estimates from those disclosed in the consolidated financial statements for the year ended December 31, 2017.

#### ***New standard IFRS 15 Revenue from Contracts with Customers***

The Company has adopted IFRS 15, Revenue from Contracts with Customers ("IFRS 15") effective January 1, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at January 1, 2018.

IFRS 15 supersedes IAS 18– Revenue, IAS 11 – Construction Contracts, and other revenue related interpretations. The standard outlines the principles that must be applied to measure and recognize revenue and the related cash flows. Revenue is recognized at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 will be applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligation in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

The Company has concluded that the recognition and measurement of the sale of products in all contracts is consistent with the current revenue recognition practice and therefore does not expect any transitional adjustment.

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# Newstrike Resources Ltd.

## Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

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### 2. Basis of presentation and statement of compliance (continued)

#### New standard IFRS 9 Financial Instruments

The Company has adopted IFRS 9, Financial Instruments (IFRS 9) effective January 1, 2018 on a retrospective basis and applied the transitional provisions, so that any adjustments would be recorded in opening retained earnings at January 1, 2018. IFRS 9, addresses the classification, measurement and recognition of financial assets and financial liabilities. The adoption of IFRS 9 supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: (i) those measured at fair value through profit and loss, (ii) those measured at fair value through other comprehensive income and (iii) those measured at amortized cost. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the IFRS 9 requirements are similar to those of IAS 39. The main distinction is that, in cases where the fair value option is chosen for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a single expected credit loss model for calculating impairment for financial assets, which is based on changes in credit quality since initial recognition. The adoption of the expected credit loss impairment model did not have a significant impact on the Company's condensed consolidated interim financial statements and did not result in a transitional adjustment.

The Company has no hedges on its condensed consolidated interim financial statements for the reporting period.

The Company has concluded that the adoption of IFRS 9 did not require any transitional adjustments to the classification or measurement of the Company's financial assets and financial liabilities.

### 3. Other receivables

	March 31, 2018	December 31, 2017
HST receivable	\$ 1,460,086	\$ 724,889
Accrued interest receivable	48,699	-
Other receivable	13,334	-
	<b>\$ 1,522,119</b>	<b>\$ 724,889</b>

### 4. Inventory

	March 31, 2018	December 31, 2017
Harvested cannabis	\$ 5,751,347	\$ 3,975,667
Materials and supplies	42,188	33,360
Merchandise	-	16,482
	<b>\$ 5,793,535</b>	<b>\$ 4,025,509</b>

## Newstrike Resources Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

#### 5. Biological assets

The Company's biological assets consists of cannabis plants.

	March 31, 2018	December 31, 2017
Biological assets, beginning	\$ 1,393,345	\$ -
Production of biological assets	965,445	2,349,179
Change in fair value	896,821	3,019,833
Transfers to inventory upon harvest	(1,775,681)	(3,975,667)
<b>Biological assets, ending</b>	<b>\$ 1,479,930</b>	<b>\$ 1,393,345</b>

The significant assumptions used in determining the fair value of biological assets are as follows:

- wastage of plants based on their various stages of biological transformation;
- expected yields of each type biological asset;
- percentage of costs incurred at various stages of the biological transformation compared to the total costs are used to estimate the fair value of each type of biological asset; fair value less cost to sell at the point of harvest;
- percentage of costs incurred for each stage of plant growth was estimated; and
- amounts of depreciation and overhead incurred and allocated to biological assets.

The Company estimates the harvest yields for the plants at various stages of growth. The Company's estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the gain or loss on biological assets.

As of March 31, 2018, it is expected that the Company's biological assets will yield approximately 373,000 grams of cannabis. The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

#### 6. Loan receivable

During the three months ended March 31, 2018, the loan receivable was repaid.

#### 7. License - HIP

During the year ended December 31, 2017, the Company entered into an agreement with the Tragically Hip (the "Hip Agreement"). The consideration was 3,000,000 common shares with a fair value of \$2,655,000 and an ongoing royalty of 2.5% of revenues of cannabis products sold under the Tragically Hip brand. The issuance of the 3,000,000 common shares includes a payment of 1,000,000 common shares that will be applied against future royalties' payable, which has been included in prepaids at a fair value of \$885,000.

During the three months ended March 31, 2018, the Company recorded amortization of \$88,500 using the straight-line method over a five-year term.

	March 31, 2018	December 31, 2017
License – HIP, net of amortization	\$ 1,338,919	\$ 1,427,419
Prepaid – HIP	885,000	885,000
<b>Balance, end of year</b>	<b>\$ 2,223,919</b>	<b>\$ 2,312,419</b>



## Newstrike Resources Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

#### 8. License application

The balance represents an in-progress application by Enderlein Nurseries Ltd. to produce medical cannabis under the ACMPR (note 19).

#### 9. Property, plant and equipment

Cost	Balance December 31, 2017	Additions	Reclassification	Disposals	Balance March 31, 2018
Computers	\$ 156,886	\$ 32,944	\$ -	\$ -	\$ 189,830
Production equipment	1,286,826	980,567	63,270	(7,624)	2,323,039
Equipment	1,079,167	-	1,302,789	-	2,381,956
Office furniture	92,874	-	-	-	92,874
Security equipment	347,369	117,480	-	-	464,849
Leasehold improvements	1,213,117	-	(63,270)	(4,341)	1,145,506
Building	3,815,224	978,431	-	-	4,793,655
Equipment under finance lease	1,302,789	-	(1,302,789)	-	-
Land	3,830,242	-	-	-	3,830,242
<b>Cost - total</b>	<b>\$ 13,124,494</b>	<b>\$ 2,109,422</b>	<b>\$ -</b>	<b>\$ (11,965)</b>	<b>\$ 15,221,951</b>
<b>Accumulated amortization</b>					
Computers	\$ (44,238)	\$ (11,848)	\$ -	\$ -	\$ (56,086)
Production equipment	(131,020)	(8,416)	-	-	(139,436)
Equipment	-	-	(325,000)	-	(325,000)
Office furniture	(3,738)	(15,877)	-	-	(19,615)
Security equipment	(84,267)	(2,322)	-	-	(86,589)
Leasehold improvements	(78,031)	(14,066)	-	-	(92,097)
Building under finance lease	(37,280)	(6,213)	-	-	(43,493)
Equipment under finance lease	(260,000)	(65,000)	325,000	-	-
<b>Accumulated amortization</b>	<b>\$ (638,574)</b>	<b>\$ (123,742)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (762,316)</b>
<b>Net book value</b>	<b>\$ 12,485,920</b>				<b>\$ 14,459,635</b>

During the three months ended March 31, 2018, included in production costs for biological assets was amortization of \$123,742 (Note 5).

During the three months ended March 31, 2018, the equipment under finance lease has been reclassified to equipment (Note 11).

## Newstrike Resources Ltd.

### Notes to Condensed Interim Consolidated Financial Statements For the three months ended March 31, 2018 (Expressed in Canadian Dollars)

#### 10. Accounts payable and accrued liabilities

	March 31, 2018	December 31, 2017
Accounts payable	\$ 2,579,061	\$ 2,302,196
Accrued liabilities	62,987	633,838
Payroll liabilities	33,039	40,895
	<b>\$ 2,675,087</b>	<b>\$ 2,976,929</b>

#### 11. Finance leases

During the year ended December 31, 2016, the Company entered into a lease with a three-year term. The minimum lease payments have been calculated using the Company's incremental borrowing rate of 6.05%.

On January 1, 2017, the Company entered into a finance lease for production equipment. The lease had an effective interest rate of 15%. During the three months ended March 31, 2018, the Company bought out the lease.

	March 31, 2018	December 31, 2017
Total minimum lease payments payable	\$ 959,400	\$ 2,460,371
Portion representing interest to be expensed over the remaining term of the leases	60,529	445,515
Principal outstanding	898,871	2,014,856
<b>Less: Current portion</b>	<b>28,641</b>	<b>533,831</b>
<b>Non-current portion</b>	<b>\$ 870,230</b>	<b>\$ 1,481,025</b>

The following is a schedule of future minimum lease payments over the life of the finance lease:

No later than one year	\$ 81,800
Later than one year, but not later than five years	\$ 877,600

A summary of changes in the period follows

	March 31, 2018	December 31, 2017
Balance, beginning	\$ 2,014,856	\$ 919,361
Additions	-	1,302,789
Payments made	(1,538,614)	(450,668)
Interest expenses	422,629	243,374
<b>Balance, ending</b>	<b>\$ 898,871</b>	<b>\$ 2,014,856</b>

#### 12. Secured loan

On July 25, 2017, the Company entered into an agreement for a \$4,000,000 loan. The loan bore interest at 15% per annum and matured on February 15, 2018 and was later extended to March 15, 2018. As of December 31, 2017, the balance and accrued interest is \$4,011,408. During the three months ended March 31, 2018, the Company recorded interest expenses of \$76,805. On February 22, 2018, the Company repaid the loan.

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## Newstrike Resources Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

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#### 13. Convertible debenture

On September 29, 2017, the Company issued a \$4,000,000 secured debenture, convertible at the option of the holder at \$0.365 per share, and bearing interest at 8% per annum due in 3 years. As part of the consideration, the Company issued 10,958,904 warrants with an exercise price of \$0.42. The warrants expire on December 31, 2020. On issuance, the Company recognized \$731,166 as the equity portion and recorded an equivalent amount to the equity portion of debt. The Company incurred finance costs of \$98,475 in connection with issuance of the debenture.

On January 24, 2018, the debenture was converted into 10,958,904 common shares.

	March 31, 2018	December 31, 2017
Balance, beginning	\$ 3,290,617	\$ 392,511
Proceeds from issuance of convertible debentures	-	5,580,000
Amount allocated to conversion options – equity	-	(2,231,166)
Accretion and interest expenses	58,217	111,720
Converted into shares	(3,268,834)	(463,973)
Finance costs	-	(98,475)
Payments	(80,000)	-
<b>Balance, ending</b>	<b>\$ -</b>	<b>\$ 3,290,617</b>

#### 14. Share capital

##### *Authorized share capital*

Unlimited number of common shares without par value.

On February 16, 2018, the Company closed the financing on February 22, 2018 by issuing 69,701,500 units of the Company at a price of \$1.32 per unit for gross proceeds of \$92,005,980. Each unit consists of one common share and one warrant. Each warrant entitles the holder to acquire one common share at a price of \$1.75 per share for a period of two years following the closing date of the financing. The fair value of the warrants was \$33,852,500. The weighted average assumptions used for the Black-Scholes option pricing model of warrants were annualized volatility of 100%, risk-free interest rate of 1.94%, expected life of 2 years, and a dividend rate of Nil.

Pertaining to the financing, the Company paid agent fees of \$5,646,052 and issued 4,182,090 compensation warrants. Each compensation warrant entitles the holder to purchase one common share at a price of \$1.32 for a period of two years following the closing date of the financing. The fair value of the compensation warrants of \$2,054,294 was allocated to share capital and equity reserve. The weighted average assumptions used for the Black-Scholes option pricing model of warrants were annualized volatility of 100%, risk-free interest rate of 1.94%, expected life of 2 years, and a dividend rate of Nil.

During the period ended March 31, 2018, the Company issued 819,281 common shares with respect to the exercise of stock options for proceeds of \$263,627.

## Newstrike Resources Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

#### 14. Share capital (continued)

During the period ended March 31, 2018, the Company issued 11,196,613 common shares with respect to the exercise of warrants for proceeds of \$4,621,584.

During the period ended March 31, 2018, the Company issued 10,958,904 common shares for conversion of the convertible debenture and recorded a reallocation of \$731,166 from equity portion of convertible debt to share capital.

#### Stock options

As at March 31, 2018, the Company had the following options outstanding and exercisable:

Expiry Date	Exercise Price	Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Exercisable
December 20, 2021	\$0.20	3.73	320,000	320,000
July 25, 2020	\$0.38	2.57	22,030,514	8,381,199
February 23, 2023	\$1.10	4.90	4,750,000	4,750,000
March 29, 2021	\$1.05	3.00	2,000,000	-
			<b>29,100,514</b>	<b>13,451,199</b>

The following is a summary of the Company's stock option activities:

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2018	<b>23,169,795</b>	<b>\$ 0.01</b>
Granted	6,750,000	1.09
Exercised	(819,281)	0.32
Expired	-	-
<b>Outstanding at March 31, 2018</b>	<b>29,100,514</b>	<b>\$ 0.54</b>
<b>Exercisable at March 31, 2018</b>	<b>13,451,199</b>	<b>\$ 0.63</b>

During the three months ended March 31, 2018, the Company granted options to a consultant to acquire 1,500,000 common share with an exercise price of \$1.05 per share for a period of three years following the grant date. The stock options vest every six months for two years following February 20, 2018. The fair value of the stock options granted during the period using the Black-Scholes option pricing model was \$1,094,914.

During the three months ended March 31, 2018, the Company granted options to a consultant to acquire 500,000 common shares with an exercise price of \$1.05 per share for a period of three years following the grant date. The stock options vest every six months for two years following March 29, 2018. The fair value of the stock options granted during the period using the Black-Scholes option pricing model was \$364,971.

During the three months ended March 31, 2018, the Company granted options to consultants, directors, and executives of the Company to acquire 4,500,000 with an exercise price of \$1.10 per share for five years following the grant date. The fair value of the stock options granted during the period using the Black-Scholes option pricing model was \$3,081,964.

## Newstrike Resources Ltd.

Notes to Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2018  
(Expressed in Canadian Dollars)

### 14. Share capital (continued)

#### *Stock options (continued)*

During the three months ended March 31, 2018, the Company granted options to an executive of the Company to acquire 250,000 common shares with an exercise price of \$1.10 per share for five years following the grant date. The stock options vest on May 15, 2018. The fair value of the stock options granted during the period using Black-Scholes option pricing model was \$171,220.

The fair value of stock options granted for the period ended March 31, 2018 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	March 31, 2018	December 31, 2017
Risk-free interest rate	1.95%	0.83%
Estimate life	3 years	1.8 years
Expected volatility	100%	60%
Expected dividend yield	0%	0%
Forfeiture rate	0%	0%

During the three months ended March 31, 2018, the Company recorded share-based compensation of \$3,740,609 (2017 - \$nil) pursuant to the stock options vested.

#### *Warrants*

As at March 31, 2018, the Company had the following warrants outstanding:

Date issued	Expiry date	Exercise price	Number of warrants outstanding
September 20, 2016	September 20, 2021	\$0.075	1,269,791
February 16, 2018	September 21, 2020	\$ 1.75	60,610,000
February 22, 2018	February 21, 2020	\$ 1.75	13,273,590
			<b>75,153,381</b>

The following is a summary of the Company's warrant activities:

	Number of Warrants
Outstanding at January 1, 2018	12,466,404
Issued	73,883,590
Exercised	(11,196,613)
<b>Outstanding at March 31, 2018</b>	<b>75,153,381</b>

The weighted average exercise price and weighted average life are \$1.72 and 1.91 years, respectively.

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## Newstrike Resources Ltd.

### Notes to Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018

(Expressed in Canadian Dollars)

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#### 15. Related party transactions

Summary of key management personnel compensation:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel made during the three months ended March 31, 2018, is set out below:

	March 31, 2018	March 31, 2017
Consulting fees (included in professional fees)	\$ 261,000	\$ 93,750
Salaries and benefits	45,000	-
Share-based payments	2,082,106	-
	<b>\$ 2,388,106</b>	<b>\$ -</b>

As at March 31, 2018, \$112,634 (2017 - \$26,833), is included in accounts payable and accrued liabilities from amounts owing to related parties.

As at March 31, 2018, \$10,170 (2017 - \$10,170) is due to shareholders for reimbursement of expenses. The outstanding balance is non-interest bearing, unsecured and due on demand.

During the three months ended March 31, 2018, the Company fully repaid the principal and accrued interest of the secured loan payable to the Chief Executive Officer of \$77,153.

#### 16. Commitments

**Finance leases** (see Note 11)

##### **Operating lease**

The Company has obligations under operating leases for its corporate office facilities.

Year	
2018	\$ 103,735
2019	117,228
2020	61,020
2021	55,935
	<b>\$ 337,918</b>

#### 17. Contingency

During the period ended March 31, 2018, a claim was commenced against the Company by a former consultant for \$500,000 in damages for breach of contract, \$500,000 in special damages and \$3,500,000 in aggravated and punitive damages. The Company has filed a Statement of Defense and believes the claim is frivolous. No amount has been accrued.

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## **Newstrike Resources Ltd.**

**Notes to Condensed Interim Consolidated Financial Statements  
For the three months ended March 31, 2018  
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### **18. Termination fee**

On November 17, 2017, the Company entered into an agreement with CanniMed Therapeutics Inc. (“CanniMed”) pursuant to which CanniMed would acquire all of the outstanding shares of the Company by way of a plan of arrangement. On January 24, 2018, CanniMed terminated the agreement and paid the termination fee of \$9,500,000 to the Company.

### **19. Subsequent events**

Subsequent to March 31, 2018, the Company issued 13,541 shares with respect of exercise of warrants for proceeds of \$1,016.

Subsequent to March 31, 2018, the Company issued 1,150,000 common shares with respect of exercise of stock options for proceeds of \$437,000.

Subsequent to March 31, 2018, the Company invested \$1,087,500 in two cannabis companies.

On May 24, 2018, the Company entered into an agreement to raise \$45,000,000 and up to additional \$6,750,000 as an overallotment with issuance of units of the Company at a price of \$0.75 per unit. Each unit consists of one common share and one-half of a warrant. Each warrant entitles the holder to acquire one common share at a price of \$1.00 per share for a period of 60 months.

On May 25, 2018, the Company sold all of its shares in Enderlein Nurseries Ltd. for \$2,504,500.