



newstrike

Newstrike Resources Ltd.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

(Unaudited and expressed in Canadian dollars)

Newstrike Resources Ltd.

Condensed Consolidated Interim Statements of Financial Position - Unaudited (Expressed in Canadian Dollars)

	As at September 30, 2017	As at December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,027,195	\$ 78,885
Marketable securities	31,000	-
Inventory (Note 5)	1,091,801	-
Biological Assets (Note 6)	426,797	-
HST receivable	515,819	85,764
Prepaid expenses	964,113	-
Loan receivable (Note 7)	85,500	-
	8,142,225	164,649
Property, plant and Equipment (Note 9)	11,051,753	2,363,565
Intellectual Property	7,344	-
License – HIP (Note 8)	1,515,919	-
License application (Note 10)	2,973,260	-
TOTAL ASSETS	\$ 23,690,501	\$ 2,528,214
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Amounts payable and accrued liabilities (Note 11)	\$ 1,464,354	\$ 349,796
Finance lease - current (Note 13)	362,996	115,419
Secured loans (Note 12)	3,960,000	-
Due to shareholder (Note 15)	10,170	14,406
	5,797,520	479,621
NON-CURRENT LIABILITIES		
Finance lease – non-current (Note 13)	1,658,047	803,942
Convertible debentures (Note 12)	3,250,844	392,511
TOTAL LIABILITIES	10,706,411	1,676,074
SHAREHOLDERS' EQUITY		
Share capital (Note 14)	24,373,164	2,512,955
Reserves	2,228,846	106,671
Equity portion of convertible debt (Note 12)	749,621	-
Deficit	(14,367,541)	(1,767,486)
TOTAL SHAREHOLDERS' EQUITY	12,984,090	852,140
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 23,690,501	\$ 2,528,214

Subsequent event (Note 16)

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 Loss and Comprehensive Loss - Unaudited (Expressed in Canadian Dollars)

	For the three months ended September 30, 2017	For the nine months ended September 30, 2017
EXPENSES		
General and administrative expenses	\$ 191,944	\$ 231,191
Amortization (Note 8 and 9)	128,957	294,539
Advertising and promotion	142,539	396,373
Consulting	323,430	442,988
Listing fee (Note 4)	-	6,677,069
TSX filing fees	30,120	56,432
Accretion expense (Note 12 and 13)	140,213	140,213
Salaries and wages	244,104	620,496
Share Based Compensation (Note 14)	2,651,025	2,651,025
Repairs and maintenance	19,568	33,526
Insurance	19,627	46,520
Investor relations	13,991	84,383
Professional fees	13,412	334,592
Rent	10,000	82,769
Branding, web design	220,954	287,699
Finance costs	85,983	116,962
Site assessment consulting	24,929	43,479
Travel	44,917	85,182
Telecommunications	33,665	48,117
TOTAL EXPENSES	\$ (4,339,378)	\$ (12,673,555)
OTHER ITEMS		
Change in fair value of marketable securities	26,500	26,500
Gain on sale of license (Note 10)	-	(100,000)
	26,500	(73,500)
NET AND COMPREHENSIVE LOSS	\$ (4,365,878)	\$ (12,600,055)
LOSS PER SHARE - BASIC AND DILUTED	\$ (0.01)	\$ (0.05)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	378,872,553	197,842,414

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 Cash Flow - Unaudited (Expressed in Canadian Dollars)

For the nine months ended
September 30, 2017

OPERATING ACTIVITIES

Net loss for the period	\$ (12,600,055)
Interest paid	111,667
Items not involving cash:	
Amortization	294,539
Non-cash portion of listing expense	8,121,965
Accretion expense	140,213
Gain on sale of license	(100,000)
Change in fair value of marketable securities	26,500
Share based compensation	2,651,025
	(1,354,146)
Net changes in non-cash working capital items:	
HST receivable	(415,979)
Inventory	(1,067,224)
Biological assets	(335,849)
Amounts payable and accrued liabilities	1,216,857
Prepaid expenses	(70,113)
Intellectual property	(7,344)
Cash used in operating activities	(2,053,797)

INVESTING ACTIVITIES

Purchase of property, plant and equipment	(8,600,053)
Cash used in investing activities	(8,600,053)

FINANCING ACTIVITIES

Proceeds from share issuances, net of share issuance costs	5,993,795
Proceeds from convertible debentures	5,580,000
Shareholder loans	(99,906)
Proceeds from secured loans	3,848,333
Finance lease	279,938
Cash provided by financing activities	15,602,160
Change in cash	4,948,310
Cash, beginning of the period	78,885
Cash, end of the period	\$ 5,027,195

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 Shareholder's Equity - Unaudited (Expressed in Canadian Dollars)

	Number of outstanding shares	Share capital	Reserve	Equity portion of debt	Deficit	Total shareholders' equity (deficit)
Balance, January 1, 2017	27,770,481	\$ 2,512,955	\$ 106,671	\$ -	\$ (1,767,486)	\$ 852,140
Share issuance (Note 8)	3,000,000	2,655,000	-	-	-	2,655,000
Options exercised (Note 14)	849,002	92,800	(7,300)	-	-	85,500
Options exercised (Note 14)	849,002	50	-	-	-	50
HPI debenture conversion (Note 14)	1,695,000	1,500,000	-	-	-	1,500,000
HPI debenture conversion (Note 14)	1,473,952	500,000	(36,027)	-	-	463,973
Consulting Agreement (Note 14)	1,473,952	159,227	(63,344)	-	-	95,883
Enderlein shares (Notes 9 & 14)	2,820,001	2,495,701	477,559	-	-	2,973,260
Shares issued – Transaction (Note 4)	282,604,265	-	-	-	-	-
Share capital of HPI (Note 4)	(39,931,390)	-	-	-	-	-
Share capital of Newstrike (Note 4)	56,574,581	7,071,823	675,322	-	-	7,747,145
Warrants exercised (Note 14)	8,692,500	1,728,809	(1,076,871)	-	-	651,938
Warrants exercised (Note 9 & 14)	16,000,000	2,477,559	(477,559)	-	-	2,000,000
Options exercised (Note 14)	660,000	121,068	(18,818)	-	-	102,250
Shares issued for cash (Note 14)	25,000,000	3,058,172	-	-	-	3,058,172
Expiry of stock options	-	-	(1,812)	-	-	(1,812)
Equity component of convertible debt (Note 12)	-	-	-	749,621	-	749,621
Share Based Compensation	-	-	2,651,025	-	-	2,651,025
Net Loss for the period	-	-	-	-	(12,600,055)	(12,600,055)
Balance, September 30, 2017	389,534,346	\$ 24,373,164	\$ 2,228,846	\$ 749,621	\$ (14,367,541)	\$ 12,984,090

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 - Unaudited
For the three and nine months ended September 30, 2017
(Expressed in Canadian Dollars)**

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. 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).

The Company, through its wholly-owned subsidiary, is licensed to produce medical marijuana and is an applicant to 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 as at September 30, 2017, at 390 Bay Street, Suite 612, Toronto, Ontario, M5H 2Y2 Canada.

The Company has incurred losses from operations from inception that has primarily been funded through financing activities. The Company will need to raise additional capital during the next twelve months and beyond to support current operations and planned development. These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand and through the private placement of common shares.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

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 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 nine months ended September 30, 2016, no comparative information has been presented.

These condensed consolidated interim financial statements were approved by the Board of Directors on November 28, 2017.

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.

Newstrike Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements - Unaudited
For the three and nine months ended September 30, 2017
(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

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 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.

Biological assets

The Company measures biological assets, consisting of 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.

Inventory

Inventories of harvested finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell at harvest which becomes the deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost basis. Products for resale and supplies and consumables are valued at cost.

The Company reviews inventory for obsolete, redundant and slow moving goods and any such inventory are written-down to net realizable value.

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 straight-line 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.

Newstrike Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements - Unaudited
For the three and nine months ended September 30, 2017
(Expressed in Canadian Dollars)

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 the Company 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; therefore, the Transaction is accounted under IFRS 2, 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 7.077 shares of the Company.

Consideration	\$ 7,071,823
Fair value of stock options	130,228
Fair value of warrants	545,094
Legal and professional fees related to Amalgamation	402,919
Net assets acquired	1,472,995
Listing fee	\$ 6,677,069

The fair value of the issued common shares of the Company was estimated to be \$0.125 per share using the price of a financing that was completed concurrently.

5. Inventory

	September 30, 2017
Harvested cannabis	\$ 1,048,047
Materials and supplies	12,464
Merchandise	31,290
	\$ 1,091,801

6. Biological assets

As at September 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.

7. Loan receivable

In March 2017, the Company entered into a loan agreement with a company controlled by a director. The loan bears interest at 4.75%, is unsecured and is due on March 14, 2018 (Note 15).

Newstrike Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements - Unaudited
For the three and nine months ended September 30, 2017
(Expressed in Canadian Dollars)

8. License - HIP

During the period ended September 30, 2017, the Company entered into a licensing and promotional services 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 sold under the Tragically Hip brand. The issuance of the 3,000,000 common shares includes a payment of 1,000,000 shares against future royalties' payable, which has been included in prepaid expenses, at a fair value of \$885,000. The fair value of the issued common shares of the Company was estimated to be \$0.125 per share using the price of a financing that was completed concurrently.

	September 30, 2017
License – HIP	
Balance, at beginning of period	\$ -
Additions	1,770,000
Amortization	(254,081)
Balance, at end of period	\$ 1,515,919

9. Property, plant and equipment

Cost	Balance at January 1, 2017	Additions	Balance at September 30, 2017
Computers	\$ 46,760	\$ 91,647	\$ 138,407
Leasehold improvements	801,689	40,169	841,858
Production equipment	475,972	1,185,795	1,661,767
Office furniture	-	79,918	79,918
Security equipment	280,168	1,163	281,331
Building	621,322	3,040,759	3,662,081
Equipment	-	1,300,000	1,300,000
Land	310,661	3,356,450	3,667,111
	\$ 2,536,572	\$9,095,900	\$ 11,632,473
Accumulated amortization			
Computers	\$ (15,571)	\$ (17,667)	\$ (33,238)
Leasehold improvements	(44,716)	(46,382)	(91,098)
Production equipment	(72,276)	(64,377)	(136,653)
Office furniture	-	(1,556)	(1,555)
Security equipment	(28,017)	(42,183)	(70,200)
Building under finance lease	(12,427)	(40,548)	(52,975)
Equipment under lease	-	(195,000)	(195,000)
	\$ (173,007)	\$ (407,713)	\$ (580,720)
Net Book Value	\$ 2,363,565		\$ 11,051,753

During the nine months ended September 30, 2017, included in production costs for biological assets was amortization of \$367,255.

Newstrike Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements - Unaudited
For the three and nine months ended September 30, 2017
(Expressed in Canadian Dollars)

10. Enderlein acquisition

On May 29, 2017, the Company acquired Enderlein for \$2,973,260 paid for by the issuance of 2,820,001 shares of HPI with an aggregate value of \$2,000,000 and 16,000,000 share purchase warrants with a fair value of \$477,559. 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 transaction to sell an application under the ACMPR for \$100,000.

11. Amounts payable and accrued liabilities

	September 30, 2017
Accounts payable	\$ 1,349,915
Accrued liabilities	114,439
	\$ 1,464,354

12. Loans

Grimsby Acquisition Loan – Secured

On July 12, 2017, the Company announced the execution of an agreement between Up Cannabis and Westbrook Greenhouses Ltd for the purchase of the Up Cannabis-Niagara Facility for consideration of \$7,300,000, subject to the standard closing adjustments. Prior to closing, Up Cannabis incorporated a wholly-owned, special purpose subsidiary, Up Cannabis Niagara Inc. which acted as the purchaser in the transaction. The acquisition closed on July 27, 2017 and was funded by a combination of Newstrike's existing capital resources and the Short Term Secured Facility, as follows:

(i) Existing capital resources	\$ 3,599,297
(ii) Short Term Secured Facility ⁽¹⁾	<u>4,000,000</u>
	\$ 7,599,897

- ⁽¹⁾ On July 25, 2017, a wholly owned subsidiary of the Company entered into a secured loan agreement in the amount of \$4,000,000. The loan bears interest 15% per annum, payable monthly, and matures on February 15, 2018. The loan is secured by way of a first charge/mortgage on the land at 5640 South Service Road, Beamsville, Ontario (the "Up Cannabis Lands"). In consideration of the Lenders arranging for the Credit Facility, the Company paid each Lender a set-up fee equal to 1.0% of its respective authorized amount, which was deducted from the advance on the closing date.

During the period ended September 30, 2017, the Company paid interest of \$111,667. As at September 30, 2017, the principal balance less set-up fee of \$3,960,000 is outstanding.

Newstrike Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements - Unaudited
For the three and nine months ended September 30, 2017
(Expressed in Canadian Dollars)

12. Loans (continued)

Convertible Debenture

On September 29, 2017, the Company issued \$4,000,000 of a secured convertible note bearing an interest rate of 8% per annum, with a term of 3 years, secured by way of a first charge/mortgage on the land at 5640 South Service Road, Beamsville, Ontario (the "Up Cannabis Lands"). At any time after issuance, the holder may elect, at their sole discretion, to be repaid all or a portion of the principal in common shares of the Company at a value of \$0.365 per common share. In addition, the Company issued 10,958,904 detachable share purchase warrants, which entitles the holder to one additional common share at a price of \$0.42 per share expiring on September 30, 2020. On issuance, the Company allocated \$434,780 of the proceeds to receive to the conversion option, \$314,841 of the proceeds received to equity reserve and recorded an aggregate value of \$749,621 in equity. In addition, the Company recorded an accretion of interest of \$465.

13. Leases

The Company entered into a lease related to their building and land in September 2016. The Company's finance 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%.

The following is the summary of the Company's outstanding liabilities:

Finance Leases	September 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
	<u>2,832,288</u>
Add: accretion of interest	139,748
Less: payments	(281,330)
Less: future finance charges	(669,663)
Present value of minimum lease payments	<u>2,021,043</u>
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Current liabilities	362,996
Non-current liabilities	1,658,047
Present value of minimum lease payments	<u>\$ 2,021,043</u>

Newstrike Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements - Unaudited
For the three and nine months ended September 30, 2017
(Expressed in Canadian Dollars)

14. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Common shares issued

During the period ended September 30, 2017, the Company issued 3,000,000 common shares for an aggregate value of \$2,655,000 based on the implied fair value of \$0.885 per share in the HPI private placement, in relation to a licensing and promotional services 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 sold under the Tragically Hip brand. The issuance of the 3,000,000 common shares includes a payment of 1,000,000 shares against future royalties payable.

During the period ended September 30, 2017, 849,002 options of HPI were exercised resulting in the issuance of 849,002 shares of HPI for an aggregate value of \$50.

During the period ended September 30, 2017, 849,002 options of HPI were exercised resulting in the issuance of 849,002 shares of HPI for proceeds of \$85,500 which was funded by an advance from HPI (Note 6). As a result of these exercises, an amount of \$7,300 was reclassified from equity reserve to the share capital.

During the period ended September 30, 2017, on February 15, 2017, the Company issued a non-interest bearing convertible debenture for \$1,500,000. The debenture was converted into 1,695,000 shares of HPI.

During the period ended September 30, 2017, on March 31, 2017, 1,473,952 options were exercised into 1,473,952 shares of HPI pursuant to a consulting agreement. As a result of these exercises, an amount of \$63,344 was reclassified from equity reserve to the share capital.

On completion of the Transaction, a \$500,000 convertible note, issued by HPI, was converted into 1,473,952 shares of HPI. As a result of these exercises, an amount of \$36,027 was reclassified from equity reserve to the share capital.

On May 29, 2017, the Transaction (Note 4) was completed and the Company acquired, on a one for one basis, all issued and outstanding shares of HPI Holdings Ltd in exchange for 282,604,265 common shares of the Company.

During the period ended September 30, 2017, 8,692,500 share purchase warrants of the Company were exercised for proceeds of \$651,938. As a result of these exercises, an amount of \$1,076,871 was reclassified from equity reserve to the share capital.

During the period ended September 30, 2017, 660,000 options of the Company were exercised for proceeds of \$102,250. As a result of these exercises, an amount of \$18,818 was reclassified from equity reserve to the share capital.

During the period ended September 30, 2017, the Company issued 25,000,000 shares for proceeds of \$3,125,000. The finders fees paid were \$66,828.

During the period ended September 30, 2017, the Company issued 16,000,000 common shares for proceeds of \$2,000,000, for exercise of 16,000,000 share purchase warrants issued in respect of the Enderlein transaction (Note 10). As a result of these exercises, an amount of \$477,559 was reclassified from equity reserve to the share capital.

Newstrike Resources Ltd.

Notes to Condensed Consolidated Interim Financial Statements - Unaudited
For the three and nine months ended September 30, 2017
(Expressed in Canadian Dollars)

14. Share capital (continued)

Stock options

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

	Number of Options
Outstanding at January 1, 2017	1,960,000
Granted	22,584,795
Exercised	(810,000)
Expired	(400,000)
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Outstanding at September 30, 2017	23,334,795
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Exercisable at September 30, 2017	5,150,000

During the nine months ended September 30, 2017, the Company granted 22,584,795 options to acquire common shares. 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. Share-based payments relating to options vesting during the period using the Black-Scholes option pricing model was \$2,651,025.

The weighted average exercise price and weighted average life are \$0.37 and 2.87 years, respectively for options outstanding as at September 30, 2017. The weighted average exercise price and weighted average life are \$0.35 and 2.87 years, respectively for options exercisable as at September 30, 2017.

Warrants

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

	Number of Warrants
Outstanding at January 1, 2017	20,000,000
Issued	26,958,904
Exercised	(34,342,500)
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Outstanding at September 30, 2017	12,616,404

The weighted average exercise price and weighted average life are \$0.37 and 3.13 years, respectively.

Newstrike Resources Ltd.

**Notes to Condensed Consolidated Interim Financial Statements - Unaudited
For the three and nine months ended September 30, 2017
(Expressed in Canadian Dollars)**

15. Related party disclosures

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. No remuneration of directors and key management personnel was made during the nine months ended September 30, 2017.

Accounts payable and accrued liabilities:

As at September 30, 2017, \$108,428, is included in accounts payable and accrued liabilities from amounts owing by the related parties.

Loans receivable:

In March 2017, the Company entered into a loan agreement with a company controlled by Mr. Peter Hwang, a director. The loan is interest bearing at 4.75% per annum, unsecured, bears interest at 4.75% and is due on March 14, 2018 (Note 8).

Secured loans:

On July 25, 2017, the Company arranged for a secured loan in the amount of \$4,000,000 funded by a syndicate led by a contributions by related parties and third parties (Note 12). As at September 30, 2017, \$3,289,408 is outstanding to the related parties.

Effective January 1, 2017, the Company entered into an arrangement with a company controlled by the Van Haeren family, for financing.

16. Subsequent event

On November 17, 2017, the Company announced that it had reached a definitive agreement (the "Arrangement Agreement") with CanniMed Therapeutics Inc. ("CanniMed") pursuant to which CanniMed will acquire all of the outstanding shares of the Company (the "Arrangement") by way of a plan of arrangement pursuant to which each shareholder will receive 0.033 CanniMed shares.

The Arrangement Agreement is subject to shareholder approval.