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BRANDS

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**Newstrike Brands Ltd.**  
**(Formerly Newstrike Resources Ltd.)**  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
Amended and Restated  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

(Unaudited)

(Expressed in Canadian dollars)

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# Newstrike Brands Ltd.

(Formerly Newstrike Resources Ltd.)

Condensed Interim Consolidated Statements of Financial Position

Amended and Restated

(Expressed in Canadian Dollars)

	June 30, 2017 (Unaudited) (Restated – Note 16 )	December 31, 2016
<b>ASSETS</b>		
Current assets		
Cash	\$ 6,543,844	\$ 78,885
HST receivable	366,533	69,690
Prepays	-	16,074
Inventory	12,464	-
Biological assets (Note 4)	824,296	-
Marketable securities	35,000	-
Loan receivable (Note 12)	85,500	-
	7,867,637	164,649
Deposits and prepaids	192,947	-
Prepaid – HIP (Note 5)	885,000	-
Intellectual property	7,344	-
License – HIP (Note 5)	1,604,419	-
License application (Note 6)	3,016,771	-
Property, plant and equipment (Note 7)	3,724,464	2,363,565
<b>TOTAL ASSETS</b>	<b>\$ 17,298,582</b>	<b>\$ 2,528,214</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 1,852,451	\$ 349,796
Finance lease – current (Note 9)	370,485	115,419
Due to shareholder	10,170	14,406
Convertible debenture (Note 10)	-	392,511
	2,233,106	872,132
Finance leases (Note 9)	1,735,588	803,942
<b>TOTAL LIABILITIES</b>	<b>3,968,694</b>	<b>1,676,074</b>
<b>Shareholders' equity</b>		
Share capital (Note 11)	21,575,021	2,512,955
Reserves (Note 11)	602,308	106,671
Obligation to issue shares (Note 11)	2,000,000	-
Deficit	(10,847,441)	(1,767,486)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>13,329,888</b>	<b>852,140</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 17,298,582</b>	<b>\$ 2,528,214</b>

Subsequent events (Notes 6, 9 and 15)

Approved by the Board of Directors

"James Wilgar"

Director

"Stephen Smith"

Director

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

## Newstrike Brands Ltd.

(Formerly Newstrike Resources Ltd.)

Condensed Interim Consolidated Statements of Comprehensive Loss – Unaudited

Amended and Restated

(Expressed in Canadian Dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	Restated		Restated	
	(Note 16)		(Note 16)	
<b>EXPENSES</b>				
Amortization (Note 5)	\$ 88,500	\$ -	\$ 165,581	\$ -
Consulting and professional fees (Note 12)	479,933	5,875	786,542	39,290
General and administration	63,793	32,595	145,983	44,494
Rent and facilities	30,553	24,900	30,553	43,800
Wages and benefits (Note 12)	189,428	-	265,739	-
Sales, marketing and business development	282,787	-	416,501	7,655
	1,134,994	63,370	1,810,899	135,239
<b>OTHER ITEMS</b>				
Accretion and interest expenses	200,808	-	147,404	27,724
Listing fee (Note 3)	7,099,152	-	7,099,152	-
Change in fair value of marketable securities	22,500	-	22,500	-
	7,322,460	-	7,269,056	27,724
<b>NET AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ (8,457,454)</b>	<b>\$ (63,370)</b>	<b>\$ (9,079,955)</b>	<b>\$ (162,963)</b>
<b>LOSS PER SHARE - BASIC AND DILUTED</b>	<b>\$ (0.06)</b>	<b>\$ (0.00)</b>	<b>\$ (0.10)</b>	<b>\$ (0.01)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<b>152,224,273</b>	<b>27,310,197</b>	<b>90,761,043</b>	<b>27,310,197</b>

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

# Newstrike Brands Ltd.

(Formerly Newstrike Resources Ltd.)

Condensed Interim Consolidated Statements of Cash Flows – Unaudited

Amended and Restated

(Expressed in Canadian Dollars)

	For the six months ended June, 30 2017 Restated – Note 16	For the six months ended June, 30 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (9,079,955)	\$ (162,963)
Items not affecting cash:		
Accretion and interest expenses	149,890	-
Amortization	404,531	-
Change in fair value of marketable securities	22,500	-
Listing fees – non-cash	6,696,232	-
Changes in non-cash working capital:		
HST receivable	(350,148)	(76,790)
Prepays	(90,344)	-
Biological assets	(1,063,246)	-
Inventory	(12,464)	-
Accounts payable and accrued liabilities	1,067,783	(509,354)
Net cash flows used in operating activities	(2,255,221)	(749,107)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deposits on acquisition of property, plant, and equipment	(58,110)	-
Purchase of intellectual property	(7,344)	-
Purchase of property, plant, and equipment	-	(418,620)
Net cash flows used in investing activities	(65,454)	(418,620)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of convertible debentures	1,500,000	-
Proceeds from share issuance, net of share issuance costs	3,796,243	1,500,000
Repayment of shareholder loan	(89,736)	-
Share subscriptions received in advance	2,000,000	-
Subscription receivable	-	(250,000)
Listing fee	402,920	-
Bank indebtedness acquired from the acquisition of Enderlein	(6,613)	-
Finance lease repayments	(263,659)	-
Cash acquired from the Transaction	1,446,479	-
Net cash flows provided by financing activities	8,785,634	1,250,000
<b>Net change in cash</b>	<b>6,464,959</b>	<b>82,273</b>
<b>Cash – beginning of period</b>	<b>78,885</b>	<b>4,984</b>
<b>Cash – end of period</b>	<b>\$ 6,543,844</b>	<b>\$ 87,257</b>

Supplemental disclosure with respect to cash flow (Note 14)

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

## Newstrike Brands Ltd.

(Formerly Newstrike Resources Ltd.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity – Unaudited

Amended and Restated

(Expressed in Canadian Dollars)

	Number of outstanding shares	Share capital	Reserves	Equity portion of convertible debt	Obligation to issue shares	Subscription receivable	Deficit	Total
<b>Balance, December 31, 2016</b>	<b>27,770,481</b>	<b>\$ 2,512,955</b>	<b>\$ 70,644</b>	<b>\$ 36,027</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,767,486)</b>	<b>\$ 852,140</b>
Shares issued – HIP Agreement	3,000,000	2,655,000	-	-	-	-	-	2,655,000
Enderlein shares	2,820,001	2,495,701	477,559	-	-	-	-	2,973,260
Options exercised	3,581,956	321,257	(175,124)	-	-	-	-	146,133
Conversion of convertible debentures	3,168,952	2,000,000	-	(36,027)	-	-	-	1,963,973
Reversal of share capital of HPI (Note 3)	(39,931,390)	-	-	-	-	-	-	-
Share capital of Newstrike (Note 3)	56,574,581	7,071,823	1,097,404	-	-	-	-	8,169,227
Share issued – Transaction (Note 3)	282,607,265	-	-	-	-	-	-	-
Shares issued for cash	25,000,000	3,058,172	-	-	-	-	-	3,058,172
Warrants exercised	7,892,500	1,460,113	(868,175)	-	-	-	-	591,938
Obligations to issue shares	-	-	-	-	2,000,000	-	-	2,000,000
Net and comprehensive loss for the period	-	-	-	-	-	-	(9,079,955)	(9,079,955)
<b>Balance, June 30, 2017 (Note 16)</b>	<b>372,484,346</b>	<b>\$ 21,575,021</b>	<b>\$ 602,308</b>	<b>\$ -</b>	<b>\$ 2,000,000</b>	<b>\$ -</b>	<b>\$ (10,847,441)</b>	<b>\$ 13,329,888</b>
<b>Balance, December 31, 2015</b>	<b>13,885,238</b>	<b>\$ 1,012,955</b>	<b>\$ 850</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (911,452)</b>	<b>\$ 102,353</b>
Shares issued for cash	13,885,243	1,500,000	-	-	-	(250,000)	-	1,250,000
Grant of Share options	-	-	6,450	-	-	-	-	6,450
Net and comprehensive loss for the period	-	-	-	-	-	-	(162,963)	(162,963)
<b>Balance, June 30, 2016</b>	<b>27,770,481</b>	<b>\$ 2,512,955</b>	<b>\$ 7,300</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (250,000)</b>	<b>\$ (1,074,415)</b>	<b>\$ 1,195,840</b>

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

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# **Newstrike Brands Ltd.**

**(Formerly Newstrike Resources Ltd.)**

**Notes to Condensed Interim Consolidated Financial Statements – Unaudited  
Amended and Restated**

**For the six months ended June 30, 2017**

**(Expressed in Canadian Dollars)**

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## **1. Nature of operations**

Newstrike Brands Ltd. (formerly 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 1540 Cornwall Road, Suite 204, Oakville, Ontario, L5J 7W5 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 interim consolidated 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 interim consolidated 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, 2016, 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, 2016.

These financial statements have been amended to correct errors in the original interim financial statements. Certain line items in the consolidated statements of comprehensive loss, cash flows, and change in shareholders' equity for six months ended June 30, 2017 have been reclassified according to the nature of the transactions. Refer to Note 16 for details of the restatement adjustments.

## **3. The Transaction**

On May 29, 2017, Newstrike completed the acquisition with HPI Holdings Ltd. ("HPI"), pursuant to which HPI amalgamated with 2559595 Ontario Inc., a wholly-owned subsidiary of Newstrike, to form 1977121 Ontario Inc., resulting in the indirect acquisition by Newstrike of all of the issued and outstanding securities of HPI (the "Transaction").

This resulted in a reverse take-over of the Company by the shareholders of 1977121 Ontario Inc. At the time of the Transaction, the Company did not constitute a business as defined under IFRS 3; therefore, the Transaction was accounted under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company was recorded as a listing expense to net loss. As 1977121 was deemed to be the accounting acquirer for accounting purposes, these financial statements present the historical financial information of HPI up to the date of the Transaction.

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## Newstrike Brands Ltd.

(Formerly Newstrike Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements – Unaudited  
Amended and Restated

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

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### 3. The Transaction (continued)

The Transaction closed and the Company acquired, on a one for 7.077 basis, all issued and outstanding shares of HPI in exchange for 282,607,265 common shares of the Company.

Consideration - shares	\$ 7,071,823
Fair value of stock options	106,898
Fair value of warrants	990,506
Legal and professional fees related to the Transaction	402,920
Net assets acquired	1,472,995
Listing fee	\$ 7,099,152

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#### Fair value of the Company acquired, net of liabilities

Cash	\$ 1,446,479
Prepaid expenses	9,000
Marketable securities	57,500
HST receivable	14,076
Trade payables and other payables	(54,060)
	\$ 1,472,995

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The fair value of 56,574,581 issued common shares of the Company was estimated using \$0.125 per share.

The Company assumed 1,810,100 stock options exercisable at a price in the range of \$0.10 to \$0.20 per share expiring from September 28, 2017 to December 20, 2021. The fair value of stock options was \$106,898, estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.78%
Estimate life	2.63 years
Expected volatility	89%
Expected dividend yield	0%
Forfeiture rate	0%

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The Company assumed 10,200,000 share purchase warrants exercisable at a price of \$0.075 per share expiring on September 20, 2021. The fair value of share-purchase warrants was \$990,506, estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.86%
Estimate life	4.32 years
Expected volatility	100%
Expected dividend yield	0%
Forfeiture rate	0%

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## Newstrike Brands Ltd.

(Formerly Newstrike Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements – Unaudited

Amended and Restated

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

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#### 4. 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 were to be harvested as agricultural produce.

#### 5. License - HIP

During the period ended June 30, 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 six months ended June 30, 2017, the Company recorded amortization of \$165,581 using the straight-line method over a five-year term.

	June 30, 2017	December 31, 2016
License – HIP, net of amortization	\$ 1,604,419	\$ -
Prepaid – HIP	885,000	-
<b>Balance, end of year</b>	<b>\$ 2,489,419</b>	<b>\$ -</b>

#### 6. License application

On May 29, 2017, the Company acquired 100% of the issued and outstanding shares of Enderlein Nurseries Ltd. ("Enderlein"), in exchange for 2,820,001 shares of HPI with a fair value of \$2,495,701 and 16,000,000 warrants of HPI with a fair value of \$477,559 (the "Enderlein Acquisition"). The fair value of the issued common shares of the Company is \$0.885 per share, which is the implied fair value of the debt and equity financing of HPI that was completed prior to the closing of the Enderlein Acquisition. 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 had a net working capital deficiency at the time of acquisition of \$43,511. As of June 30, 2017, the licence application was valued at \$3,016,771

In May 2018, the Company sold all its shares in Enderlein for \$2,504,500. Subsequent to June 30, 2017, the licence application was impaired to the estimated future recoverable amount and an impairment charge of \$651,592 was recorded.



## Newstrike Brands Ltd.

(Formerly Newstrike Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements – Unaudited  
Amended and Restated

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

### 6. License application (Continued)

The warrants issued were valued using the Black-Scholes option pricing model and the following input assumptions:

Weighted average fair value of the warrants issued	\$	0.03
Risk-free interest rate		0.73%
Estimate life		0.17 years
Expected volatility		100%
Expected dividend yield		0%
Forfeiture rate		0%

### 7. Property, plant and equipment

Cost	Balance December 31, 2016	Additions	Balance June 30, 2017
Computers	\$ 46,760	\$ 77,180	\$ 123,940
Production equipment	475,973	146,364	622,337
Office furniture	-	41,511	41,511
Security equipment	280,168	1,161	281,329
Leasehold improvements	801,689	33,633	835,322
Building under finance lease	621,322	-	621,322
Equipment under finance lease	-	1,300,000	1,300,000
Land	310,661	-	310,661
<b>Cost - total</b>	<b>\$ 2,536,573</b>	<b>\$ 1,599,849</b>	<b>\$ 4,136,422</b>

Accumulated amortization			
Computers	\$ (15,571)	\$ (8,172)	\$ (23,743)
Production equipment	(72,276)	(29,175)	(101,451)
Office furniture	-	(263)	(263)
Security equipment	(28,017)	(28,117)	(56,134)
Leasehold improvements	(44,719)	(30,796)	(75,515)
Building under finance lease	(12,425)	(12,427)	(24,852)
Equipment under finance lease	-	(130,000)	(130,000)
<b>Accumulated amortization</b>	<b>\$ (173,008)</b>	<b>\$ (238,950)</b>	<b>\$ (411,958)</b>
<b>Net book value</b>	<b>\$ 2,363,565</b>		<b>\$ 3,724,464</b>

During the six months ended June 30, 2017, included in production costs for biological assets was amortization of \$238,950 (Note 4).

## Newstrike Brands Ltd.

(Formerly Newstrike Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements – Unaudited  
Amended and Restated

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

### 8. Accounts payable and accrued liabilities

	June 30, 2017	December 31, 2016
Accounts payable	\$ 1,655,887	\$ 317,796
Accrued liabilities	183,750	32,000
Payroll liabilities	12,814	-
	<b>\$ 1,852,451</b>	<b>\$ 349,796</b>

### 9. 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%. Subsequent to June 30, 2017, the Company has bought out the lease.

	June 30, 2017	December 31, 2016
Total minimum lease payments payable	\$ 2,692,712	\$ 1,051,450
Portion representing interest to be expensed over the remaining term of the leases	586,639	132,089
Principal outstanding	2,106,073	919,361
<b>Less: Current portion</b>	<b>370,485</b>	<b>115,419</b>
<b>Non-current portion</b>	<b>\$ 1,735,588</b>	<b>\$ 803,942</b>

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

No later than one year	\$ 451,543
Later than one year, but not later than five years	\$ 2,241,169
<b>Total minimum lease payments payable</b>	<b>\$2,692,712</b>

A summary of changes in the period follows

	June 30, 2017	December 31, 2016
Balance, beginning	\$ 919,361	\$ -
Additions	1,302,789	931,984
Payments made	(263,659)	(45,324)
Interest expenses	147,582	32,701
<b>Balance, ending</b>	<b>\$ 2,106,073</b>	<b>\$ 919,361</b>

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## **Newstrike Brands Ltd.**

**(Formerly Newstrike Resources Ltd.)**

**Notes to Condensed Interim Consolidated Financial Statements – Unaudited  
Amended and Restated**

**For the six months ended June 30, 2017**

**(Expressed in Canadian Dollars)**

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### **10. Convertible debentures**

During the year ended December 31, 2016, the Company entered into an unsecured convertible note facility for the provision of funding up to \$500,000 with an annual interest of 6% and a maturity date of June 30, 2018. The note is convertible into the common shares of the Company at \$0.0001 per share at the earlier of the maturity date or the closing of the Transaction. The Company recognized \$36,027 as the equity portion and recorded an equivalent amount to the equity portion of debt.

On March 15, 2017, the debenture was converted into 1,473,952 shares of the Company (Note 11). As of June 30, 2017, the convertible note balance is \$nil (2016 - \$392,511). Concurrent with the Transaction (Note 3), the Company issued convertible debentures for the gross proceeds of \$1,500,000. The debentures are non-interest bearing and automatically convert into 1.13 common shares of the Company at the earlier of one year following the issuance date of the debentures or the closing of the Transaction. The Company recognized the debentures in its entirety as equity instruments and recorded the proceeds of \$1,500,000 to equity. On May 29, 2017, the Company issued 1,695,000 shares on conversion of the debentures (Note 11).

### **11. Share capital**

#### ***Authorized share capital***

Unlimited number of common shares without par value.

*For the six months ended June 30, 2017*

During the six months ended June 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, which is the implied fair value of the debt and equity financing of HPI that was completed prior to the HIP Agreement date.

During the six months ended June 30, 2017, the Company issued 2,820,001 shares with a fair value of \$2,495,701 in connection with the Enderlein Acquisition.

During the six months ended June 30, 2017, 3,581,956 options were exercised resulting in the issuance of 3,581,956 shares for proceeds of \$146,133. As a result of these option exercises, an amount of \$175,124 was reclassified from equity reserve to the share capital.

During the six months ended June 30, 2017, the Company issued 3,168,952 shares in connection with the conversion of convertible debentures (Note 10).

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## Newstrike Brands Ltd.

(Formerly Newstrike Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements – Unaudited  
Amended and Restated

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

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### 11. Share capital (Continued)

On May 29, 2017, the Transaction (Note 3) was completed and the Company acquired, on a 7.077 for 1 basis, all issued and outstanding shares of HPI in exchange for 282,607,265 common shares of the Company.

For the six months ended June 30, 2017, concurrent with the Transaction, the Company issued 25,000,000 shares at \$0.125 per share for gross proceeds of \$3,125,000. The Company incurred share issuance costs of \$66,828 (inclusive of finder's fees).

For the six months ended June 30, 2017, the Company issued 7,892,500 common shares for proceeds of \$591,938 with respect to exercises of warrants. The fair value of these warrants of \$868,175 was reallocated from reserve to share capital.

*For the six months ended June 30, 2016*

On January 7, 2016, the Company issued 13,885,243 common shares through a private placement for proceeds of \$1,500,000 with \$250,000 receivable as of June 30, 2016.

### Stock options

As at June 30, 2017, 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
September 28, 2017	\$0.15	0.26	550,000	-
December 20, 2021	\$0.20	4.48	850,000	850,000
		<b>2.81</b>	<b>1,400,000</b>	<b>850,000</b>

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

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2017	<b>3,171,956</b>	<b>\$ 0.03</b>
Options of Newstrike at time of Transaction	1,810,000	0.17
Exercised	(3,581,956)	0.04
<b>Outstanding at June 30, 2017</b>	<b>1,400,000</b>	<b>\$ 0.18</b>
<b>Exercisable at June 30, 2017</b>	<b>850,000</b>	<b>\$ 0.20</b>

## Newstrike Brands Ltd.

(Formerly Newstrike Resources Ltd.)

Notes to Condensed Interim Consolidated Financial Statements – Unaudited  
Amended and Restated

For the six months ended June 30, 2017

(Expressed in Canadian Dollars)

### 11. Share capital (Continued)

#### Warrants

As at June 30, 2017, 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	2,307,500
April 30, 2017	June 30, 2017*	\$ 0.125	16,000,000
			<b>18,307,500</b>

\*The warrants were exercised subsequent to June 30, 2017.

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

	Number of Warrants
Outstanding at December 31, 2016	-
Warrants of Newstrike at time of Transaction Issued	10,200,000
Exercised	16,000,000
	(7,892,500)
<b>Outstanding at June 30, 2017</b>	<b>18,307,500</b>

The weighted average exercise price and weighted average life are \$0.12 and 0.53 year, respectively.

### 12. 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 six months ended June 30, 2017, is set out below:

	June 30, 2017	June 30, 2016
Consulting and professional fees	\$ 72,000	\$ -
Wages and benefits	222,917	-
Share-based payments	-	-
	<b>\$ 294,917</b>	<b>\$ -</b>

As at June 30, 2017, \$10,170 (2016 - \$14,406) is due to shareholders for reimbursement of expenses. The outstanding balance is non-interest bearing, unsecured and due on demand.

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## Newstrike Brands Ltd.

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### 12. Related party transactions (continued)

In March 2017, the Company entered into a loan agreement with a company controlled by Mr. Peter Hwang, a director. The loan is in the amount of \$85,500 and bears interest at 4.75% per annum, is unsecured and is due on March 14, 2018

### 13. Commitments

**Finance leases** (see Note 9)

#### Operating lease

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

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Year	
2017	\$ 69,141
2018	145,333
2019	117,228
2020	61,020
2021	55,935
	<hr/>
	\$ 448,657

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### 14. Supplemental disclosure with respect to cash flows

Significant non-cash transactions for the six months ended June 30, 2017 consist of

- The Company issued 3,000,000 common share with a fair value of \$2,655,000 in connection with the Hip Agreement.
- The Company issued 1,473,952 common shares with a fair value of \$463,973 in connection with conversion of a convertible debenture.
- The Company issued 2,820,001 common shares with a fair value of \$2,495,701 and 16,000,000 share purchase warrants with a fair value of \$477,559 in connection with the Enderlein Acquisition.
- The Company recorded a finance lease liability of \$1,302,789 and recognized an equivalent amount as additions to property, plant and equipment.

During the six months ended June 30, 2016, there was no significant non-cash transactions.

### 15. Subsequent events

Subsequent to June 30, 2017, the Company entered in an agreement for a \$4,000,000 secured loan. The loan bore interest at 15% per annum and matured on March 15, 2018. The loan was repaid subsequently.

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## **Newstrike Brands Ltd.**

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### **15. Subsequent events (continued)**

Subsequent to June 30, 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. The debenture was converted into 10,958,904 common shares subsequently.

Subsequent to June 30, 2017, the Company issued 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. Pertaining to the financing, the Company paid agent fees of \$5,646,052 and issued 4,182,090 compensation warrants.

Subsequent to June 30, 2017, the Company raised gross proceeds of \$51,750,000 by issuing 69,000,000 units of the Company. Each unit consists of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$1.00 per share for a period of 5 years. Pertaining to the financing, the Company paid agent fees of \$3,105,000 and issued 4,140,000 compensation warrants. Each compensation warrant entitles the holder to purchase one unit at a price of \$0.75 for a period of two years following the closing date of the financing.

Subsequent to June 30, 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. The agreement was terminated subsequently and a termination fee of \$9,500,000 was paid to the Company.

Subsequent to June 30, 2017, the Company issued 2,384,281 common shares for the exercise of stock options for aggregate proceeds of \$823,827.

Subsequent to June 30, 2017, the Company issued 28,010,154 common shares for exercise of warrants for aggregate proceeds of \$6,681,583

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### 16. Restatements of the financial statements

The condensed consolidated interim financial statements of the Company as at June 30, 2017 and for the period then ended have been restated to correct material errors and omissions in its prior filing. The Company discovered the deficiencies in the accounting information subsequent to the filing and issuance of the financial statements. The financial statements for the period ended June 30, 2017 have been prepared using the most complete information currently available.

#### Condensed Consolidated Interim Statements of Financial Position

	June 30, 2017		June 30, 2017	
	(Original)	Adjustments	(Restated)	
<b>ASSETS</b>				
Current assets				
Cash	\$ 6,391,858	\$ 151,986	\$ 6,543,844	
HST receivable	345,430	21,103	366,533	
Inventory	12,464	-	12,464	
Biological assets	819,207	5,089	824,296	
Marketable securities	35,000	-	35,000	
Loan receivable	85,500	-	85,500	
	7,689,459	178,178	7,867,637	
Deposits and prepaids	151,000	41,947	192,947	
Prepaids - HIP	885,000	-	885,000	
Intellectual property	7,344	-	7,344	
License - HIP		1,604,419	1,604,419	
License application	2,495,701	521,070	3,016,771	
Property, plant and equipment	3,724,464	-	3,724,464	
<b>Total assets</b>	<b>\$ 14,952,968</b>	<b>\$ 2,345,614</b>	<b>\$ 17,298,582</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current liabilities				
Accounts payable and accrued liabilities	\$ 1,348,354	\$ 504,097	\$ 1,852,451	
Finance lease - current	338,750	31,735	370,485	
Due to shareholder	10,170	-	10,170	
	1,697,274	535,832	2,233,106	
Finance Lease	1,828,875	(93,287)	1,735,588	
<b>Total liabilities</b>	<b>3,526,149</b>	<b>442,545</b>	<b>3,968,694</b>	
<b>Shareholders' equity</b>				
Share capital	22,289,756	(714,735)	21,575,021	
Reserves	68,335	533,973	602,308	
Obligation to issue shares	-	2,000,000	2,000,000	
Deficit	(10,931,272)	83,831	(10,847,441)	
<b>Total shareholders' equity</b>	<b>11,426,819</b>	<b>1,903,069</b>	<b>13,329,888</b>	
<b>Total liabilities and shareholders' equity</b>	<b>\$ 14,952,968</b>	<b>\$ 2,345,614</b>	<b>\$ 17,298,582</b>	



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## Newstrike Brands Ltd.

(Formerly Newstrike Resources Ltd.)

Notes to Condensed Consolidated Interim Financial Statements - Unaudited

For the six months ended June 30, 2017

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(Expressed in Canadian Dollars)

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### 16. Restatements of the financial statements (Continued)

#### Condensed Consolidated Interim Statement of Comprehensive Loss

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	Six months ended June 30, 2017 (Original)	Adjustments	Six months ended June 30, 2017 (Restated)
<b>EXPENSES</b>			
Amortization	\$ -	\$ 165,581	\$ 165,581
Consulting and professional fees	996,825	(210,283)	786,542
General and administration	200,087	(54,104)	145,983
Rent and facilities	-	30,553	30,553
Wages and benefits	308,322	(42,583)	265,739
Sales, marketing and business development	428,240	(11,739)	416,501
	<u>1,933,474</u>	<u>(122,575)</u>	<u>1,810,899</u>
<b>OTHER ITEMS</b>			
Accretion and interest expenses	52,428	94,976	147,404
Change in fair value of marketable securities	-	22,500	22,500
Listing Fee	7,077,884	21,268	7,099,152
Loss on sale of license application	100,000	(100,000)	-
	<u>7,230,312</u>	<u>38,744</u>	<u>7,269,056</u>
<b>NET AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ 9,163,786</b>	<b>\$ (83,831)</b>	<b>\$ 9,079,955</b>

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## Newstrike Brands Ltd.

(Formerly Newstrike Resources Ltd.)

Notes to Condensed Consolidated Interim Financial Statements - Unaudited

For the six months ended June 30, 2017

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(Expressed in Canadian Dollars)

### 16. Restatements of the financial statements (continued)

#### Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

Original	Number of outstanding shares	Share capital	Equity reserves	Equity portion of convertible debt	Deficit	Total
<b>Balance, December 31, 2016</b>	<b>27,770,481</b>	<b>\$ 2,512,955</b>	<b>\$ 70,644</b>	<b>\$ 36,027</b>	<b>\$ (1,767,486)</b>	<b>\$ 852,140</b>
Shares issued – HIP Agreement	3,000,000	2,655,000	-	-	-	2,655,000
Enderlein shares	2,820,001	2,495,701	-	-	-	2,495,701
Options exercised	2,258,004	170,300	(7,300)	-	-	163,000
Conversion of convertible debentures	3,168,952	2,000,000	-	(36,027)	-	1,963,973
Reversal of share capital of HPI	(37,119,946)	-	-	-	-	-
Share capital of Newstrike	45,104,580	6,049,561	507,500	-	-	6,557,061
Shares issued – Transaction	282,607,274	-	-	-	-	-
Shares issued for cash	25,000,000	3,058,114	-	-	-	3,058,114
Warrants exercised	33,975,000	3,348,125	(502,509)	-	-	2,845,616
Net and comprehensive loss for the period	-	-	-	-	(9,163,786)	(9,163,786)
<b>Balance, June 30, 2017</b>	<b>388,584,346</b>	<b>\$ 22,289,756</b>	<b>\$ 68,335</b>	<b>\$ -</b>	<b>\$ (10,931,272)</b>	<b>\$ 11,426,819</b>

## Newstrike Brands Ltd.

(Formerly Newstrike Resources Ltd.)

Notes to Condensed Consolidated Interim Financial Statements - Unaudited

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### 16. Restatements of the financial statements (continued)

#### Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

Adjustments	Number of outstanding shares	Share capital	Equity reserves	Equity portion of convertible debt	Obligation to issue shares	Deficit	Total
<b>Balance, December 31, 2016</b>	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Shares issued– HIP Agreement	-	-	-	-	-	-	-
Enderlein shares	-	-	477,559	-	-	-	477,559
Options exercised	1,323,952	150,957	(167,824)	-	-	-	(16,867)
Conversion of convertible debentures	-	-	-	-	-	-	-
Reversal of share capital of HPI	(2,811,444)	-	-	-	-	-	-
Share capital of Newstrike	11,470,001	1,022,262	589,904	-	-	-	1,612,166
Shares issued – Transaction	(9)	-	-	-	-	-	-
Shares issued for cash	-	58	-	-	-	-	58
Warrants exercised	(26,082,500)	(1,888,012)	(365,666)	-	-	-	(2,253,678)
Obligation to issue shares	-	-	-	-	2,000,000	-	2,000,000
Net and comprehensive loss for the period	-	-	-	-	-	83,831	83,831
<b>Balance, June 30, 2017</b>	<b>(16,100,000)</b>	<b>\$ (714,735)</b>	<b>\$ 533,973</b>	<b>\$ -</b>	<b>\$ 2,000,000</b>	<b>\$ 83,831</b>	<b>\$ 1,903,069</b>

## Newstrike Brands Ltd.

(Formerly Newstrike Resources Ltd.)

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### 16. Restatements of the financial statements (continued)

#### Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

Restated	Number of outstanding shares	Share capital	Reserves	Equity portion of convertible debt	Obligation to issue shares	Deficit	Total
<b>Balance, December 31, 2016</b>	<b>27,770,481</b>	<b>\$ 2,512,955</b>	<b>\$ 70,644</b>	<b>\$ 36,027</b>	<b>\$ -</b>	<b>\$ (1,767,486)</b>	<b>\$ 852,140</b>
Shares issued – Hip Agreement	3,000,000	2,655,000	-	-	-	-	2,655,000
Enderlein shares	2,820,001	2,495,701	477,559	-	-	-	2,973,260
Options exercised	3,581,956	321,257	(175,124)	-	-	-	146,133
Conversion of convertible debentures	3,168,952	2,000,000	-	(36,027)	-	-	1,963,973
Reversal of share capital of HPI	(39,931,390)	-	-	-	-	-	-
Share capital of Newstrike	56,574,581	7,071,823	1,097,404	-	-	-	8,169,227
Share issued – Transaction	282,607,265	-	-	-	-	-	-
Shares issued for cash	25,000,000	3,058,172	-	-	-	-	3,058,172
Warrants exercised	7,892,500	1,460,113	(868,175)	-	-	-	591,938
Obligations to issue shares	-	-	-	-	2,000,000	-	2,000,000
Net and comprehensive loss for the period	-	-	-	-	-	(9,079,955)	(9,079,955)
<b>Balance, June 30, 2017</b>	<b>372,484,346</b>	<b>\$ 21,575,021</b>	<b>\$ 602,308</b>	<b>\$ -</b>	<b>\$ 2,000,000</b>	<b>\$ (10,847,441)</b>	<b>\$ 13,329,888</b>

## Newstrike Brands Ltd.

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Notes to Condensed Consolidated Interim Financial Statements - Unaudited

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### 16. Restatements of the financial statements (continued)

#### Condensed Consolidated Interim Statement of Cash Flows

	Six months ended June 30, 2017 (Original)		Adjustments	Six months ended June 30, 2017 (Restated)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net loss	\$	(9,163,786)	\$	83,831	\$	(9,079,955)
Items not affecting cash:						
Accretion and interest expenses		-		149,890		149,890
Amortization		-		404,531		404,531
Change in fair value of marketable securities		-		22,500		22,500
Gain on sale of license		(100,000)		100,000		-
Listing fees – non-cash		7,077,884		(381,652)		6,696,232
Changes in non-cash working capital:						
HST receivable		(259,666)		(90,482)		(350,148)
Prepaid expenses		-		(90,344)		(90,344)
Biological assets		(580,257)		(482,989)		(1,063,246)
Inventory		-		(12,464)		(12,464)
Accounts payable and accrued liabilities		107,857		959,924		1,067,783
Net cash used in operating activities		(2,917,968)		662,747		(2,255,221)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Deposits on acquisition of property, plant, and equipment		-		(58,110)		(58,110)
Investments in property, plant, and equipment		(1,589,849)		1,589,849		-
Purchase of intellectual property		-		(7,344)		(7,344)
Net cash used in investing activities		(1,589,849)		1,524,395		(65,454)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Issuance of convertible debentures		4,930,366		(3,430,366)		1,500,000
Proceeds from share issuance, net of share issuance costs		3,660,375		135,868		3,796,243
Repayment of shareholder loans		-		(89,736)		(89,736)
Share subscriptions received in advance		-		2,000,000		2,000,000
Listing fee		-		402,920		402,920
Bank indebtedness acquired from acquisition of Enderlein		-		(6,613)		(6,613)
Finance lease repayments		1,300,000		(1,563,659)		(263,659)
Cash acquired from the Transaction		930,049		516,430		1,446,479
Net cash provided by financing activities		10,820,790		(2,035,156)		8,785,634
<b>Net change in cash</b>		6,312,973		151,986		6,464,959
<b>Cash, beginning of period</b>		78,885		-		78,885
<b>Cash, end of period</b>	\$	<b>6,391,858</b>	\$	<b>151,986</b>	\$	<b>6,543,844</b>