NHS INDUSTRIES LTD.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2017

(Expressed in Canadian dollars)

Index

MANAGEMENT'S RESPONSIBILITY FOR
UNAUDITED CONDENSED INTERIM FINANCIAL REPORTING

The accompanying unaudited condensed interim financial statements of NHS Industries Ltd. [the "Company"] are the responsibility of the management and Board of Directors of the Company. The unaudited condensed interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting consistent with International Financial Reporting Standards appropriate in the circumstances.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Carman Parente
Director

Vancouver, BC
August 26, 2017

NHS INDUSTRIES LTD.
Unaudited Condensed Interim Statements of Financial Position
(expressed in Canadian dollars)

	June 30, 2017	December 31, 2016
Current		
Cash	**$ 21,117**	$ 22,727
Accounts receivable	**8,500**	-
Due from related parties (Note 5)	**753,491**	740,941
Prepaid expenses	**4,948**	10,886
	788,056	774,554
Property, plant and equipment (Note 3)	**1,194,589**	1,206,547
Total assets	**$ 1,982,645**	$ 1,981,101
Current		
Accounts payable	**$ -**	$ 30,000
Accrued liabilities (Note 5)	**97,000**	62,000
GST payable	**13,293**	11,029
Security deposit	**7,000**	7,000
Secured notes payable (Note 10)	**330,000**	330,000
Secured convertible debt (Note 10)	**497,737**	497,737
Due to related parties (Note 5)	**-**	144,480
Current portion of mortgage (Note 6)	**628,935**	638,655
Second mortgage (Note 6)	**700,000**	700,000
	2,273,965	2,420,901
Long term portion of mortgage (Note 6)	**-**	-
Total liabilities	**2,273,965**	2,420,901
Shareholders' equity (deficiency)		
Shares capital (Note 7)	**1,714,663**	1,540,183
Contributed surplus	**234,108**	234,108
Deficit, per accompanying statement	**(2,240,091)**	(2,214,091)
Total shareholders' equity (deficiency)	**(291,320)**	(439,800)
Total liabilities and shareholders' equity (deficiency)	**$ 1,982,645**	$ 1,981,101

Nature and continuance of operations (Note 1) and **Subsequent events** (Note 12)

Approved on behalf of the Board on August 26, 2017:

"Carman Parente" ***"Anthony Chan"***

Director – Carman Parente Director – Anthony Chan

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

NHS INDUSTRIES LTD.
Unaudited Condensed Interim Statements of Operations and Comprehensive Operations
(expressed in Canadian dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenue				
Rent	$ 24,286	$ 21,000	$ 45,286	$ 42,000
Interest	14	2	29	9
Total revenue	24,300	21,002	45,315	42,009
Expenses				
Accretion expenses on secured notes payable (Note 10)	-	12,239	-	35,903
Amortization	5,979	5,957	11,958	12,097
Bank charges	26	63	79	39
Insurance	2,969	3,077	5,938	5,128
Interest (Note 6)	24,213	24,444	48,332	31,333
Professional fees	-	4,355	-	4,355
Utility, property taxes and miscellaneous	5,008	-	5,008	-
Total expenses	38,195	50,135	71,315	88,855
Loss and comprehensive loss for the period	$ (13,895)	$ (29,133)	$ (26,000)	$ (46,846)
Loss per share	$ (0.001)	$ (0.007)	$ (0.003)	$ (0.007)
Weighted average number of shares outstanding	10,372,485	6,882,885	10,083,292	6,882,885

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

NHS INDUSTRIES LTD.
Unaudited Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)
(expressed in Canadian dollars)

	Number of Shares		Share Capital & subscribed		Contributed Surplus		Deficit		Shareholders' Equity
Balance, December 31, 2015	**6,882,885**	**$**	**1,540,183**	**$**	**234,108**	**$**	**(2,127,907)**	**$**	**(353,616)**
Loss for the period	-		-		-		(46,846)		(46,846)
Balance, June 30, 2016	**6,882,885**		**1,540,183**		**234,108**		**(2,174,753)**		**(400,462)**
Loss for the period	-		-		-		(39,338)		(39,338)
Balance, December 31, 2016	**6,882,885**		**1,540,183**		**234,108**		**(2,214,091)**		**(439,800)**
Loss for the period	3,489,600		174,480		-		(26,000)		148,480
Balance, June 30, 2017	**10,372,485**	**$**	**1,714,663**	**$**	**234,108**	**$**	**(2,240,091)**	**$**	**(291,320)**

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

NHS INDUSTRIES LTD.
Unaudited Condensed Interim Statements of Cash Flows
(expressed in Canadian dollars)

		June 30, 2017		June 30, 2016
Cash flows from (used in)				
Operating activities				
Net loss for the period	$	(26,000)	$	(46,846)
Items not affecting cash:				
Accretion of interest		-		35,903
Amortization		11,958		12,097
Accrued interest		35,000		17,500
		20,958		18,654
Changes in non-cash working capital items:				
Accounts receivable		(8,500)		-
Prepaid expenses		5,938		-
Accounts payable and accrued liabilities		2,264		(5,052)
Net cash used in operating activities		20,660		13,602
Investing activities				
Loan receivable from New Age Farm Inc.		-		(267,344)
Due from related parties		(12,550)		(44,100)
Net cash used in investing activities		(12,550)		(311,444)
Financing activities				
First mortgage		(9,720)		(9,219)
Second mortgage		-		300,000
Net cash received from financing activities		(9,720)		290,781
Increase in cash and cash equivalents during the period		(1,610)		(7,061)
Cash and cash equivalents, beginning of the period		22,727		7,745
Cash and cash equivalents, end of the period	$	21,117	$	684
Interest paid	$	13,332	$	6,889
Income tax paid	$	-	$	-
Non-cash Transactions:				
Settlement of debts into shares	$	174,480	$	-

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

627073 B.C. Ltd. was incorporated on May 4, 2001 under the British Columbia Business Corporation Act and changed its name to "NHS Industries Ltd." ("NHS" or the "Company") on September 17, 2010. The Company's principal business is the provisions of a property rental service and a development of real estate property and facility. On August 13, 2014, the Company completed the amalgamation between 0998955 BC. Ltd., a wholly owned subsidiary of New Age Farm Inc. ("New Age"), and has since become a wholly owned subsidiary of New Age. New Age had issued 6,882,885 (Pre-consolidation - 34,414,424) of its common shares to the shareholders of the Company to complete the amalgamation.

On August 31, 2016, the Company entered into an arrangement agreement with New Age whereby New Age would spin-off NHS, together with all its assets and liabilities, as a separate operating entity and NHS would operate the Company's Langley property located in Langley, British Columbia (the "Arrangement"). In return, following completion of the Arrangement, shareholders of New Age would hold one new share (each, a "New Share", collectively the "New Shares") in the capital of New Age and its pro–rata share of the post-consolidation NHS shares ("NHS Shares") be distributed under the Arrangement for each currently held New Age share. On September 27, 2016, shareholders of New Age approved the Arrangement on its Annual and Special General Meeting of shareholders.The board of directors of New Age also have set the share distribution record date of the plan of Arrangement at close of business on November 30, 2016 (the "Share Distribution Record Date"). Shareholders as of the Share Distribution Record Date will be entitled to receive the New Shares and the NHS Shares. As part of the spin-off process, the Company had consolidated its common shares at 5:1 ratio and had 6,882,885 common shares outstanding prior to the spin-off and these shares are to be distributed to shareholders of New Age as of the Share Distribution Record Date. The management of New Age also determined that the Company have separated from New Age on December 31, 2016.

The registered address, head office, principal address and records office of the Company are located at Suite 106 – 1641 Lonsdale Avenue, North Vancouver, British Columbia, Canada, V7M 2J5.

At June 30, 2017, the Company had working capital deficiency of $1,485,909 (2016 - $1,646,347), had not yet achieved profitable operations, has accumulated losses of $2,240,091 since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned business, meet its on-going levels of corporate overhead and discharge its liabilities as they come due. These unaudited condensed interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Although the Company presently has sufficient financial resources to undertake its currently planned business and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these unaudited condensed interim financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance, Consolidation and Basis of Presentation

These unaudited condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting.

These unaudited condensed interim financial statements include the accounts of the Company only and are separated from New Age as of December 31, 2016 and June 30, 2017. Any former inter-company transactions and balances are disclosed separately in the unaudited condensed interim financial statements. These unaudited condensed interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in the below.

(b) Revenue recognition

Rental revenue includes rent from tenants and incidental income. Rental revenue is recognized when rents are due and interest income is recognized when earned.

(c) Foreign currency translation

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

(d) Financial instruments

The Company recognizes a financial asset or financial liability when it becomes a party to the instrument's contractual provisions. It initially measures financial assets and financial liabilities at their fair value, adding or deducting directly attributable transaction costs (except for transaction costs directly attributable to acquiring financial assets or financial liabilities at fair value through profit or loss, which it recognizes immediately in profit or loss).

The Company's financial instruments and their classifications, described further below, are as follows:

Financial assets:	Classification:
Cash	Fair value through profit or loss
Due from related parties	Loans and receivables

Financial liabilities:	Classification:
Accounts payable, accrued liabilities, due to related parties, secured notes payable, secured convertible debt, loan payable and mortgages	Other financial liabilities

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(d) **Financial instruments** (continued)

Financial assets
The Company recognizes and derecognizes all financial assets on the trade date. It derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of its ownership to another entity. It classifies financial assets into the following specified categories: financial assets 'fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. It determines the classification at the time of initial recognition, depending on the nature and purpose of the financial assets. The Company does not currently have any financial assets in the held-to-maturity or available-for-sale categories.

The Company's accounting policy for the category of assets and liabilities presently recognized by the Company is as follows:

<u>Fair value through profit or loss</u>
This category comprises assets acquired or incurred for the purpose of selling or repurchasing it in the near future. The Company measures financial assets at FVTPL at fair value, recognizing any gains or losses arising from this measurement in the Statement of Loss and Comprehensive Loss.

<u>Loans and receivables</u>
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Company measures loans and receivables at amortized cost using the effective interest method, less any impairment, except for short-term receivables for which recognizing interest would be immaterial. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all transaction costs and other premiums or discounts) through the instrument's expected life (or, where appropriate, a shorter period) to the net carrying amount on initial recognition.

Financial liabilities
The Company classifies financial liabilities as either financial liabilities at FVTPL or other financial liabilities. The Company does not currently have any financial liabilities in the at FVTPL category.

<u>Other financial liabilities</u>
The Company initially measures other financial liabilities, consisting of accounts payable and accrued liabilities, secured debts, secured convertible debts, amounts due to related parties and loans payable and mortgages, at their fair value, net of transaction costs, and subsequently at amortized cost using the effective interest method, recognizing interest expense on an effective yield basis.

Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of financial assets
The Company assesses financial assets, other than those at FVTPL, for indications of impairment at the end of each reporting period. For financial assets carried at amortized cost, the amount of any impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- The likelihood that the borrower will enter bankruptcy or financial re-organization.

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(d) **Financial instruments** (continued)

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(e) **Share based Compensation**

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

(f) **Property, plant and equipment**

The Company records property, plant and equipment at cost less accumulated amortization and accumulated impairment losses. It recognizes amortization to write off the cost of assets less their residual values over their useful lives, using the following methods and rates:

Building	-	15 years	straight line
Greenhouse	-	35 years	straight line
Furniture, fixtures and equipment	-	10-20%	declining balance
Motor vehicle and tractor	-	30%	declining balance

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of property, plant and equipment consists of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Loss per share

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

(i) Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(j) Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether any indication exists that any of those assets have suffered an impairment loss. If any such indication exists, it estimates the asset's recoverable amount to determine the extent of the impairment loss (if any). Where it is not possible to estimate an individual asset's recoverable amount, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where it can identify a reasonable and consistent basis of allocation, it also allocates corporate assets to individual cash-generating units, or otherwise allocates them to the smallest group of cash-generating units for which it can identify a reasonable and consistent allocation basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the Company discounts estimated future cash flows to their present value using a pre-tax discount rate. This rate reflects current market assessments of the time value of money and also reflects the risks specific to the asset (unless these risks are reflected in the estimates of future cash flows).

If the Company estimates an asset or cash-generating unit's recoverable amount to be less than its carrying amount, it reduces the carrying amount to the recoverable amount, recognizing an impairment loss immediately in profit or loss. Where an impairment loss subsequently reverses, the Company increases the asset or unit's carrying amount to the revised estimate of its recoverable amount, without exceeding the carrying amount that would have been existed if no impairment loss had been recognized in prior years. It recognizes a reversal of an impairment loss immediately in profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

(k) **Significant accounting judgments and estimates**

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

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

Critical judgments and estimates exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

<u>Determination of functional currency</u>

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

<u>Income taxes</u>

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

<u>Valuation of share-based payments</u>

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

(l) **Future accounting changes**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2017 or later periods. Updates that are not applicable or are not consequential to the Company have been excluded from the list below.

IFRS 9, Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2018. The Company is currently evaluating the potential impact of the adoption of IFRS 9.

(expressed in Canadian dollars)

3. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2017			December 31, 2016
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Land	$ 900,000	$ -	$ 900,000	$ 900,000
Building	213,800	142,534	71,266	78,392
Greenhouse	298,626	82,253	216,373	220,640
Furniture, fixture and equipment	21,423	15,463	5,960	6,350
Motor Vehicle	23,776	22,786	990	1,165
	$ 1,457,625	$ 263,036	$ 1,194,589	$ 1,206,547

4. PROPERTY UNDER DEVELOPMENT

Due to the uncertainty as to when the Company is able to raise sufficient funds to complete building a facility on its Langley farm, the Company determined that the incurred development cost is impaired and has written off the development cost to $Nil as at December 31, 2015. There is no change to the impairment evaluation as of December 31, 2016 and June 30, 2017.

5. DUE TO/FROM RELATED PARTY AND RELATED PARTY TRANSACTIONS

The amounts of $12,550 (2016 - $Nil) is due from the Chief Executive Officer and a company controlled by him, a related party, are non-interest bearing, unsecured and without fixed terms of repayment.

On December 31, 2016, as part of the spin-off process, New Age and the Company have entered into an agreement to have $363,750 of accrued liabilities owing by New Age to the Company's CEO ($257,000), CFO ($76,750) and an external consultant ($30,000) (the "Debt") to be transferred over and assumed by the Company and the Company has thus increased its loan receivable due from New Age by the same amount. As at June 30, 2017, the Company has a loan receivable due from New Age in the amount of $740,941 (2016 - $740,941) which is non-secured, non-interest bearing with no fixed terms of repayment. During the six months ended June 30, 2017, the amounts owing to its CEO of $67,730 and its CFO of $76,750 have been settled into common shares of the Company (Note 7). As of June 30, 2017, the Company's CEO owes to the Company in the amount of $12,550, which is non-secured, non-interest bearing with no fixed terms of repayment.

For other related party transactions, please also refer to note 10.

6. MORTGAGE / SECOND MORTGAGE

The Company has negotiated a credit facility with the BlueShore Financial (the "BSF") for a commercial mortgage. The commercial mortgage bears interest at 4.25% per annum until October 1, 2017. The mortgage requires monthly blended payments of $3,842. Payments will be adjusted at a time of term renewal based on the fixed rate of interest in effect and the remaining amortization period. The mortgage is secured by a rental property of the Company and an assignment of rents.

	June 30, 2017	December 31, 2016
Balance, beginning of the year	$ 638,655	$ 657,345
Principal payments made during the year	(9,720)	(18,690)
Balance, end of the year	628,935	638,655
Amount payable within one year	(633,748)	(638,655)
	$ -	$ -

6. MORTGAGE / SECOND MORTGAGE (continued)

On February 26, 2015, the Company entered into a second mortgage on its property in Langley as security. The principal amount of the mortgage is $400,000 with a term of one year at 15% annual interest. As part of the mortgage agreement, the Company has assigned the rental income from the Langley property and the Company's CEO also agreed to provide a personal guarantee to this new second mortgage, and the second mortgage previously held by the CEO has been moved to third position behind the new second mortgage. During the year ended December 31, 2016, the Company entered into a refinanced second mortgage agreement on its property in Langley, B.C., in the amount of $700,000 from a private lender. The principal amount of the mortgage is $700,000, bears interest at the rate of 10 per cent per year and is due on demand. Proceed of the mortgage was used toward paying out the prior second mortgage of $400,000 and the balance was used for general working capital purposes. This revised second mortgage of $700,000 bears the same security as the previous one of $400,000 but the CEO does not need to provide personal guarantee; instead, New Age provides a corporate guarantee to the revised second mortgage. Total interest of $87,500 has been accrued for on this refinanced second mortgage as of June 30, 2017.

7. SHARE CAPITAL

(a) Authorized: Unlimited common shares without par value
Issued : 10,372,485 common shares (2016: 6,882,885 common shares)

On May 4, 2001, 2 (Pre consolidation - 10) incorporator shares were issued for $1.

On December 1, 2013, the amounts of $2,004,782 due to shareholders and related parties of the Company were settled for 13,365,216 (Pre consolidation - 66,826,081) common shares of the Company at a price of $0.15 (Pre-consolidation price of $0.03) per share.

On March 31, 2014, 8,333,333 (Pre-consolidation - 41,666,667) common shares of the Company were returned to treasury for cancellation by shareholders at average price of $0.15 (Pre-consolidation price of $0.03) per share for total of $1,250,000. In consideration, the Company issued non-interest bearing secured loans to two shareholders, to be due in two years (Note 10).

In March and April 2014, the Company issued 400,000 (Pre-consolidation - 2,000,000) common shares of the Company at $0.15 (Pre-consolidation price of $0.03) per share to settle a total debt of $60,000 owing to several external service providers.

On June 30, 2014, the Company settled $600,000 of a secured non-interest bearing loan originally in the amount of $1,097,737 owing to company controlled by an officer of the Company at $0.50 (Pre-consolidation price of $0.10) per common shares of the Company and issued a total of 1,200,000 (Pre-consolidation - 6,000,000) common shares (Note 10).

In July 2014, prior to the amalgamation with New Age, the Company completed a non-brokered financing of $125,500 at a price of $0.50 (Pre-consolidation price of $0.10) per share and issued 251,000 (Pre-consolidation - 1,255,000) common shares.

On August 13, 2014, shareholders of NHS were issued 6,882,885 (Pre-consolidation - 34,414,424) common shares of New Age in exchange for their shares of the Company and completed the amalgamation with New Age. On December 31, 2016, the Company had 6,882,885 (Pre-consolidation - 34,414,424) common shares prior to the spin out from New Age.

On January 15, 2017, the Company issued 3,489,600 common shares at $0.05 per share to settled total debts of $174,480 owing to related parties and an external consultant (See note 5).

Subsequent to the period ended June 30, 2017, the Company closed its 1st tranche of private placement units financing at $0.05 per unit for total proceeds of $300,000 and issued 6,000,000 common shares and settled total secured debts of $827,737 into 8,277,370 common shares of the Company at $0.10 per share (See note 11).

7. SHARE CAPITAL (continued)

(b) Stock Options

The Company has adopted an incentive stock option plan (the "Option Plan") dated which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with stock exchanges requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Included in the Option Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. At the discretion of the Board of Directors of the Company, options granted under the Option Plan can have a maximum exercise term of 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors. The Company did not grant any options as at June 30, 2017.

8. CAPITAL DISCLOSURES

The Company's objective when managing capital is to maintain adequate cash resources to support planned activities which include administrative costs and general expenditures. In the management of capital, the Company includes cash, mortgages, due to related parties, due to shareholders, secured notes payable, secured convertible debts and the components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Historically, funding for the Company's plan is primarily managed through the issuance of additional common shares, through its commercial activities and through obtaining financing. There are no assurances that funds will be made available to the Company when required.

In order to carry out the planned development and pay for administrative costs, the Company will spend its existing working capital and expects to raise additional amounts as needed. The Company will continue to assess new business and seek to acquire an interest in additional business if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash, and all are held in major Canadian financial institutions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended June 30, 2017 and the year ended December 31, 2016. The Company is not subject to externally imposed capital requirements.

9. FINANCIAL INSTRUMENTS AND RISK FACTORS

(a) Fair values

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value of transactions is classified according to the following hierarchy based on the amount of observable inputs used to value the instrument.

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 – Inputs are other than quoted prices in Level 1 that are either directly or indirectly observable for the asset or liability.
• Level 3 – Inputs for the asset or liability that are not based on observable market data.

9. **FINANCIAL INSTRUMENTS AND RISK FACTORS** (continued)

(a) Fair values (continued)

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level. The company's cash and cash equivalents have been valued using Level 1 inputs.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at June 30, 2017 as follows:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents	$ 21,117	$ -	$ -	$ 21,117
	$ 21,117	$ -	$ -	$ 21,117

(b) Credit risk

Credit risk is the loss associated with a counter-party's inability to fulfil its payment obligations. The Company's credit risk is attributable to GST receivable from Canadian Federal government and term deposits. The credit risk is minimized by placing cash with major Canadian financial institutions. Management believes that the credit risk concentration with respect to financial instruments above is remote.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company's exposure to liquidity risk is dependent on raising of funds to meet commitments and sustain operations. The Company controls liquidity risk by management of working capital and cash flows. The Company ensures that sufficient funds are raised from private placements or loans to meet its operating requirements, after taking into account existing cash. The Company's cash and cash equivalents are held in business accounts which are available on demand for the Company's business and are not invested in any asset-backed deposits or investments.

As at June 30, 2017, the Company had cash and cash equivalents of $21,117 to settle current liabilities of $2,273,965. The mortgage of $628,935 has a term which will be renewed on October 1, 2017 (Note 6). The refinanced second mortgage of $700,000 is due on demand. The secured debts and secured convertible debts of $827,737 are already matured and became due on demand, which was subsequently settled into common shares of the Company (Note 10 & Note 11).

(d) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates decrease, the Company will generate smaller interest revenue. Presently the Company is not at risk of realizing a loss as a result of a decline in the fair value of its financial instruments because of the short-term nature of the investments. The Company is susceptible to interest rate fair value risk on its mortgages, secured note payable and convertible secured debt payable that bear fixed interest rates.

ii) Foreign currency risk

The Company's functional currency is the Canadian dollar and major expenditures are transacted in Canadian dollars.

(expressed in Canadian dollars)

10. SECURED NOTES PAYABLE / CONVERTIBLE SECURED DEBT

On March 31, 2014, the note payable in the amount of $347,737 due to a company owned by an officer of the Company was extinguished by the Company. In consideration for the extinguishment, the Company issued a non-interest bearing secured loan to replace the note payable. Together with the 5,000,000 (Pre-consolidation - 25,000,000) common shares returned to treasury for cancellation at an agreed value of $750,000, the Company entered into a secured loan agreement with this company. This is a non-interest bearing loan in the amount of $1,097,737 to be due in two years on March 31, 2016 and secured by the Company's property in Langley secondary to the mortgage currently held by BlueShore Financial.

On June 30, 2014, the Company settled $600,000 of a secured non-interest bearing loan originally in the amount of $1,097,737 owing to company controlled by an officer of the Company at $0.50 (Pre-consolidation price of $0.10) per common shares of the Company and issued a total of 1,200,000 (Pre-consolidation - 6,000,000) common shares. The Company also amended this secured non-interest bearing loan in the amount of $497,737 ("Loan 1") to be due in two years on June 30, 2016 and continue to be secured by the Company's property in Langley secondary to the revised second mortgage (Note 6). On April 1, 2015, this secured note was amended to become a convertible secured debt convertible into common shares of New Age at a conversion price of $0.15 per share with the same due date. Using discounted rate of 10%, the equity portion was determined to be $58,258, which amount was re-allocated out of contributed surplus and was transferred over to New Age through intercompany account at the time. Gain on extinguishment of this note payable of $2,341 was also realized and included in the statements of operations in year ended 2015. This secured debt became due on demand on June 30, 2016. On December 31, 2016, prior to the separation from New Age, this loan was amended again and the conversion feature into common shares of New Age was removed and became a non-interest bearing, due on demand secured debt. The loan amount outstanding as at December 31, 2016 and June 30, 2017 was determined to be at $497,737 (See Note 11).

On March 31, 2014, another shareholder also returned 3,333,333 (Pre-consolidation - 16,666,667) common shares of the Company to the treasury for cancellation at an agreed value of $500,000. The Company also entered into a non-interest bearing loan agreement with this shareholder in the amount of $500,000 ("Loan 2") to be due in two years on March 31, 2016 which became due on demand on March 31, 2016, and secured by the Company's property in Langley with it rights subsequent to the registered holder described above. A prepayment of $170,000 was made during the year 2015 to an outside party on behalf of this loan holder and it is agreed that the prepayment amount is to be offset against the original loan amount upon maturity. As at December 31, 2016 and June 30, 2017, the loan amount outstanding owing to this shareholder was $330,000 (See Note 11).

During the year ended December 31, 2014, the total secured loans of $997,737 were accounted for at amortized cost using the effective interest rate method with the effective interest rate of 10% per annum. The debt discount of $158,654 was credited to contributed surplus, debited to secured notes and being amortized over the term of the note.

The total discount of $Nil was charged to interest expense for the period ended June 30, 2017 (2016: $35,903).

	Convertible Debt	Loan 2	Total
Principal	$ 497,737	$ 500,000	$ 997,737
Unamortized discount	-	-	-
Prepayment	-	(170,000)	(170,000)
December 31, 2016 and June 30, 2017	$ 497,737	$ 330,000	$ 827,737

11. SUBSEQUENT EVENTS

On January 15, 2017, the Company entered into share subscription agreements with one related party and two arms-length parties to subscribe for 7,000,000 units of the Company at $0.05 per unit for gross proceeds of $350,000. Each unit consists of one common share and one warrant at an exercise price of $0.10 within five years. The Company closed $300,000 of this financing in July of 2017 and the two arms-length parties have amended their subscriptions to increase their investments from the original $100,000 to $250,000 and the Company expects to close the remaining $200,000 from these two parties before end of August of 2017.

In April 2017, the Company entered into agreements with secured debt holders to settle total secured debts of $827,737 into 8,277,370 common shares of the Company at $0.10 per share. These transaction will only be effective upon the Company receives the receipt of its final prospectus by the British Columbia Security Commissions. The Company has amended the agreement with the two debt holders and they have converted their secured debts into 8,277,370 shares in July of 2017 based on the price above.