
BELEAVE INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED DECEMBER 31, 2017

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

NOTICE TO READER

The accompanying unaudited condensed interim consolidated financial statements of Beleave Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three and nine months ended December 31, 2017 have not been reviewed by the Company's auditors.

BELEAVE INC.**Condensed Interim Consolidated Statements of Financial Position****(Expressed in Canadian Dollars)****(Unaudited)**

| | As at December 31, 2017 | As at March 31, 2017 |
|--|-------------------------------|----------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents (Note 3) | \$ 13,345,036 | \$ 2,058,929 |
| Sales tax receivable | 177,477 | 171,342 |
| Prepaid expenses | 62,221 | 10,380 |
| Total current assets | 13,584,734 | 2,240,651 |
| Non-current assets | | |
| Property, plant and equipment (Note 4) | 10,268,022 | 1,902,114 |
| Total non-current assets | 10,268,022 | 1,902,114 |
| Total Assets | \$ 23,852,756 | \$ 4,142,765 |

Liabilities and Shareholders' Equity**Current liabilities**

| | | |
|--|-------------------|------------------|
| Accounts payable and accrued liabilities | \$ 7,929,188 | \$ 1,125,964 |
| Total current liabilities | 7,929,188 | 1,125,964 |
| Note payable (Note 5) | 5,010,394 | - |
| Total Liabilities | 12,939,582 | 1,125,964 |

Shareholders' Equity

| | | |
|---|-------------------|------------------|
| Share capital (Note 6) | 22,712,857 | 10,783,834 |
| Shares to be issued (Note 6(b)(vi)) | - | 647,500 |
| Reserve for share-based payments (Note 8) | 3,192,320 | 3,148,494 |
| Reserve for warrants (Note 7) | 3,883,433 | 1,122,314 |
| Deficit | (18,875,436) | (12,685,341) |
| Total Shareholders' Equity | 10,913,174 | 3,016,801 |

| | | |
|---|----------------------|---------------------|
| Total Liabilities and Shareholders' Equity | \$ 23,852,756 | \$ 4,142,765 |
|---|----------------------|---------------------|

Nature of operations and going concern (Note 1)**Related party transactions (Note 10)****Commitments (Note 12)****Subsequent events (Note 13)**

Approved on behalf of the Board:

"Bojan Kasic", Director
Bojan Kasic

"Roger Ferreira", Director
Roger Ferreira

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

BELEAVE INC.**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****(Expressed in Canadian Dollars)****(Unaudited)**

| | Three Months Ended December 31, | | Nine Months Ended December 31, | |
|---|--|---------------------|---|-----------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Expenses | | | | |
| Marketing and promotion | \$ 373,651 | \$ 70,526 | \$ 609,149 | \$ 419,923 |
| Professional services | 1,850 | 296,239 | 336,563 | 509,385 |
| Office expenses | 314,026 | 167,279 | 645,384 | 209,879 |
| Research and development | - | - | 75,848 | 13,660 |
| Share-based compensation (Notes 6(b)(vi)(ix), 8 and 10) | 341,632 | (39,554) | 3,297,193 | 1,122,991 |
| Rent and facilities (Note 10) | 66,920 | 152,696 | 151,033 | 244,764 |
| Supplies and consumables | - | 186 | - | 13,697 |
| Loss (gain) on debt settlement (Notes 6(b)(v)(vi)(viii)(ix)) | 19 | 56,538 | (9,825) | 56,538 |
| Management and consulting fees (Note 10) | 619,891 | 213,042 | 916,930 | 327,042 |
| Depreciation | 136,979 | - | 282,522 | - |
| Interest on note payable (Note 5) | 10,411 | - | 10,411 | - |
| Net loss and comprehensive loss for the period | \$ (1,854,968) | \$ (916,952) | \$ (6,315,208) | \$ (2,917,879) |
| Loss per share - basic and diluted (Note 9) | \$ (0.05) | \$ (0.04) | \$ (0.20) | \$ (0.14) |
| Weighted average number of shares outstanding - basic and diluted (Note 9) | 34,485,628 | 24,453,131 | 31,916,036 | 20,536,619 |

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

BELEAVE INC.
Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

| | Share Capital | | | | Reserve for Warrants | Reserve for share-based payments | Deficit | Total |
|---|---------------------|--------------------|-------------------------|---------------|----------------------|----------------------------------|-----------------|---------------|
| | Shares to be issued | Units to be issued | Number of common shares | Amount | | | | |
| Balance, March 31, 2016 | \$ - | \$ 216,801 | 14,983,980 | \$ 1,943,035 | \$ 1,196,050 | \$ 1,252,200 | \$ (4,133,308) | \$ 474,778 |
| Equity financing (Note 6(b)(i)(ii)(iii)(iv)) | - | (216,801) | 5,486,834 | 1,354,822 | 767,479 | - | - | 1,905,500 |
| Issuance of broker units (Note 6(b)(vii)) | - | - | 174,999 | 50,750 | 36,750 | - | - | 87,500 |
| Costs of issue (Note 6(b)(i)(ii)(iii)(iv)) | - | - | - | (31,623) | - | - | - | (31,623) |
| Shares issued for debt settlement (Note 6(b)(v)) | - | - | 1,325,377 | 703,713 | - | - | - | 703,713 |
| Bonus shares (Note 6(b)(vi)) | - | - | 1,050,000 | 951,000 | - | - | - | 951,000 |
| Shares issued for exercise of warrants | - | - | 2,681,666 | 1,340,833 | - | - | - | 1,340,833 |
| Reclassification of fair value of warrants exercised | - | - | - | 504,834 | (504,834) | - | - | - |
| Share-based compensation (Note 8) | - | - | - | - | - | 282,991 | - | 282,991 |
| Net loss and comprehensive loss for the period | - | - | - | - | - | - | (2,917,879) | (2,917,879) |
| Balance, December 31, 2016 | \$ - | \$ - | 25,702,856 | \$ 6,817,364 | \$ 1,495,445 | \$ 1,535,191 | \$ (7,051,187) | \$ 2,796,813 |
| Balance, March 31, 2017 | \$ 647,500 | \$ - | 28,685,522 | \$ 10,783,834 | \$ 1,122,314 | \$ 3,148,494 | \$ (12,685,341) | \$ 3,016,801 |
| Shares and warrants issued in private placement (Note 6(b)(ix)) | - | - | 6,626,480 | 6,480,100 | 3,459,620 | - | - | 9,939,720 |
| Transaction costs (Note 6(b)(x)) | - | - | - | (83,252) | - | - | - | (83,252) |
| Shares issued for exercise of warrants | - | - | 2,076,709 | 1,102,905 | - | - | - | 1,102,905 |
| Shares issued for debt settlement (Note 6(b)(viii)) | - | - | 223,885 | 419,000 | - | - | - | 419,000 |
| Bonus shares (Note 6(b)(ix)) | (647,500) | - | 2,053,440 | 3,436,882 | - | - | - | 2,789,382 |
| Reclassification of fair value of warrants exercised | - | - | - | 573,388 | (573,388) | - | - | - |
| Expiry of warrants | - | - | - | - | (125,113) | - | 125,113 | - |
| Share-based compensation (Note 8(ii)) | - | - | - | - | - | 43,826 | - | 43,826 |
| Net loss and comprehensive loss for the period | - | - | - | - | - | - | (6,315,208) | (6,315,208) |
| Balance, December 31, 2017 | \$ - | \$ - | 39,666,036 | \$ 22,712,857 | \$ 3,883,433 | \$ 3,192,320 | \$ (18,875,436) | \$ 10,913,174 |

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

BELEAVE INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

| Nine Months Ended December 31, | 2017 | 2016 |
|--|----------------------|---------------------|
| Cash (used in) provided by: | | |
| Operating Activities | | |
| Net loss for the period | \$ (6,315,208) | \$ (2,917,879) |
| Add items not affecting cash: | | |
| Interest on note payable | 10,411 | - |
| Depreciation | 282,522 | - |
| Loss on debt settlement (Note 6(b)(viii)(ix)) | (9,825) | 56,538 |
| Share-based compensation (Notes 6(b)(ix), 8 and 10) | 3,297,193 | 1,122,991 |
| | (2,734,907) | (1,738,350) |
| Net changes in non-cash working capital items: | | |
| Sales tax receivable | (6,135) | (117,368) |
| Prepaid expenses | (51,841) | 776 |
| Accounts payable and accrued liabilities | 363,839 | 1,076,698 |
| Net cash used in operating activities | (2,429,044) | (778,244) |
| Investing Activities | | |
| Purchase of property, plant and equipment (Note 4) | (2,324,137) | (825,391) |
| Net cash used in investing activities | (2,324,137) | (825,391) |
| Financing Activities | | |
| Proceeds from issuance of units (Note 6) | 9,939,720 | 1,905,500 |
| Cost of issue | (3,320) | (31,623) |
| Proceeds from exercise of warrants | 1,102,905 | - |
| Proceeds from units to be issued | - | 1,340,833 |
| Proceeds from note payable | 4,999,983 | - |
| Net cash provided by financing activities | 16,039,288 | 3,214,710 |
| Net increase in cash and cash equivalents during the period | 11,286,107 | 1,611,075 |
| Cash and cash equivalents, beginning of period | 2,058,929 | 230,694 |
| Cash and cash equivalents, end of period | \$ 13,345,036 | \$ 1,841,769 |

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

BELEAVE INC.**Notes to the Condensed Interim Consolidated Financial Statements**
Three and Nine Months Ended December 31, 2017
(Expressed in Canadian Dollars)
(Unaudited)

1. Nature of operations and going concern

Beleave Inc. (formerly known as Stream Ventures Inc. ("Stream")) ("Beleave" or the "Company") was incorporated under the Business Corporations Act (Ontario) on May 26, 2000, and had no operations and was seeking new business opportunities.

First Access Medical Inc. ("FAM") was incorporated on July 8, 2013 under the Canada Business Corporation Act. FAM is in the application process and has submitted its application to Health Canada (Healthy Environments and Consumer Safety Branch) on January 31, 2014 to become a "Licensed Producer" under the Marihuana for Medical Purposes Regulations (the "MMPR").

On December 22, 2015, the Company entered into an acquisition agreement with FAM pursuant to which the Company acquired from the FAM shareholders all of the issued and outstanding shares of FAM in exchange for an equal number of common shares in the Company (the "Transaction"). Upon completion of the Transaction FAM became a wholly-owned subsidiary of the Company and Stream changed its name to Beleave Inc. on December 16, 2015. The common shares of Beleave are listed on the Canadian Securities Exchange (the "Exchange") under the trading symbol "BE". The Company also trades on the OTCQX under the trading symbol "BLEVF". The Company registered office and its main facility in development is located at 1653 Hwy 6 North, Hamilton, Ontario.

As at the date of the preparation of the unaudited condensed interim consolidated financial statements, the main activities of the Company are conducted to comply with MMPR and preparation of facilities.

These unaudited condensed interim consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

During the nine months ended December 31, 2017, the Company had not yet achieved profitable operations, incurred a net loss of \$6,315,208 (nine months ended December 31, 2016 - loss of \$2,917,879) and, as of that date, the Company has an accumulated deficit of \$18,875,436 (March 31, 2017 - \$12,685,341). The Company will require additional financing in order to conduct its planned business operations, meet its ongoing levels of corporate overhead and discharge its liabilities and commitments as they come due, all of which casts substantial doubt upon the Company's ability to continue as a going concern.

Management's view is that the success of the Company is dependent upon financing the remaining portion of its capital requirements and, obtaining approval from Health Canada in order to sell and distribute medicinal cannabis in Canada and achieving profitable operations.

The unaudited condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported revenues and expenses and their classifications. Such adjustments if required, could be material.

BELEAVE INC.**Notes to the Condensed Interim Consolidated Financial Statements**
Three and Nine Months Ended December 31, 2017
(Expressed in Canadian Dollars)
(Unaudited)

2. Basis of presentation*(a) Statement of compliance*

The Company applies 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 consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of March 1, 2018, the date the Board of Directors approved the statements.

The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent audited consolidated financial statements as at and for the year ended March 31, 2017.

(b) Recent accounting pronouncements

(i) IFRS 9, Financial Instruments ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement ("IAS 39") for debt instruments with a new mixed measurement model having only two categories; amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 will be effective for accounting periods beginning on January 1, 2018. The Company is in the process of assessing the impact of this pronouncement. The Company is evaluating the potential impact of this new standard on the unaudited condensed interim consolidated financial statements.

(ii) IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contract with a customer, regardless of type of revenue transaction or the industry. IFRS 15 will also apply to the recognition and measurement of gains and losses on sale of certain non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is evaluating the potential impact of this new standard on the unaudited condensed interim consolidated financial statements.

BELEAVE INC.**Notes to the Condensed Interim Consolidated Financial Statements**
Three and Nine Months Ended December 31, 2017
(Expressed in Canadian Dollars)
(Unaudited)

2. Basis of presentation (continued)*(b) Recent accounting pronouncements (continued)*

(iii) IFRS 16 - Leases ("IFRS 16") was issued on January 13, 2016 to require lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS17 - Leases. The IAS issued its standard as part of a joint project with the Financial Accounting Standards Board ("FASB"). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognize most leases on their statement of financial position.

The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 - Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The Company is still in the process of assessing the impact of this pronouncement.

Various other accounting pronouncements that have no material impact to the Company are not included above. The Company has not early adopted these standards.

3. Cash and cash equivalents

| | December 31, 2017 | March 31, 2017 |
|--------------------------|--------------------------|-----------------------|
| Cash at bank and in hand | \$ 13,345,036 | \$ 2,058,929 |

4. Property, plant and equipment

| | Production | IT and related | Leasehold | Total |
|--|-------------------|-----------------------|---------------------|---------------------|
| <u>Cost</u> | | | | |
| At March 31, 2017 | \$ 148,272 | \$ 588,520 | \$ 1,165,322 | \$ 1,902,114 |
| Additions | 33,894 | 1,595 | 8,612,941 | 8,648,430 |
| At December 31, 2017 | \$ 182,166 | \$ 590,115 | \$ 9,778,263 | \$10,550,544 |
| <u>Accumulated depreciation</u> | | | | |
| At March 31, 2017 | \$ - | \$ - | \$ - | \$ - |
| Depreciation expense | 23,088 | 145,046 | 114,388 | 282,522 |
| At December 31, 2017 | \$ 23,088 | \$ 145,046 | \$ 114,388 | \$ 282,522 |
| <u>Carrying value</u> | | | | |
| At March 31, 2017 | \$ 148,272 | \$ 588,520 | \$ 1,165,322 | \$ 1,902,114 |
| At December 31, 2017 | \$ 159,078 | \$ 445,069 | \$ 9,663,875 | \$10,268,022 |

BELEAVE INC.**Notes to the Condensed Interim Consolidated Financial Statements****Three and Nine Months Ended December 31, 2017****(Expressed in Canadian Dollars)****(Unaudited)**

5. Note payable

On October 5, 2017, Cannabis Wheaton Income Corp. ("Cannabis Wheaton" or "CW") and the Company announced that they, along with Beleave's wholly-owned operating subsidiary Beleave Kannabis Corp., have entered a definitive agreement whereby Cannabis Wheaton will provide Beleave with up to \$10,000,000 in non-dilutive debt financing by way of an instrument evidencing a debt obligation repayable in product equivalents (the "D.O.P.E. Note"). The proceeds of the D.O.P.E. Note will be used by Beleave to fund the construction of an expansion facility which will be situated adjacent to Beleave's current facility outside of Hamilton, Ontario.

D.O.P.E. NOTE TERMS

Under the terms of the D.O.P.E. Note, Cannabis Wheaton will advance a minimum of \$5,000,000 and up to a maximum of \$10,000,000 to Beleave for a period of 24 months from the closing date (the "Maturity Date"), provided that, if at any time during the term of the D.O.P.E. Note more than \$5,000,000 is advanced to Beleave, the Maturity Date will be automatically extended for an additional 6 months.

Beleave will repay the D.O.P.E. Note by paying CW a portion of all gross proceeds received from the retail or wholesale sale of grams of dried, finished, saleable cannabis ("Grams") produced at any of its cultivation facilities. As a result, based on a \$5,000,000 principal amount, CW would receive the proceeds from the sale of 1,275,125 Grams. Until the D.O.P.E. Note is repaid in full, the proceeds from 85% of all Grams sold by Beleave will be delivered to CW as payment against the outstanding principal of the D.O.P.E. Note.

If the D.O.P.E. Note is not repaid in full prior to the Maturity Date, any principal amount outstanding at such time will be automatically increased by 10% and the Maturity Date will be extended by 6 months.

On October 17, 2017, Cannabis Wheaton and the Company announced that CBW has provided an initial advance of \$5,000,000 in non-dilutive debt financing by way of the D.O.P.E. Note.

The D.O.P.E. Note is subject to an interest rate of 1% per annum. During the three and nine months ended December 31, 2017, the Company accrued an interest expense of \$10,411 on the note payable which was recorded in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

BELEAVE INC.

Notes to the Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended December 31, 2017
(Expressed in Canadian Dollars)
(Unaudited)

6. Share capital**(a) Authorized:**

The Company is authorized to issue an unlimited number of common shares with no par value.

(b) Issued common shares:

| | Number of shares | Amount |
|--|-------------------------|----------------------|
| Balance, March 31, 2016 | 14,983,980 | \$ 1,943,035 |
| Shares issued on private placement, net of issue costs (i)(ii)(iii) | 5,486,834 | 1,323,199 |
| Shares issued in broker units (xii) | 174,999 | 50,750 |
| Shares issued for debt settlement (iv) | 1,325,377 | 703,713 |
| Reclassification of fair value of warrants exercised | - | 504,834 |
| Shares issued for exercise of warrants (Note 7) | 2,681,666 | 1,340,833 |
| Bonus shares issued (v) | 1,050,000 | 951,000 |
| Balance, December 31, 2016 | 25,702,856 | \$ 6,817,364 |
| Balance, March 31, 2017 | 28,685,522 | \$ 10,783,834 |
| Shares issued on private placement, net of issue costs (x) | 6,626,480 | 9,856,468 |
| Fair value of warrants issued on private placement | - | (3,459,620) |
| Shares issued for exercise of warrants (Note 7) | 2,076,709 | 1,102,905 |
| Reclassification of fair value of warrants exercised | - | 573,388 |
| Shares issued for debt settlement (viii) | 223,885 | 419,000 |
| Bonus shares issued (ix) | 2,053,440 | 3,436,882 |
| Balance, December 31, 2017 | 39,666,036 | \$ 22,712,857 |

(i) On April 12, 2016, the Company closed the first tranche of a private placement financing for gross proceeds of \$439,301. Upon closing the financing, Beleave issued 1,464,336 units at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of \$0.50 for a period of two years from closing. A director of the Company has also participated in the financing. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of \$155,220 (Assumptions used were as follows: expected volatility – 120.3%, risk-free interest rate – 0.58%, expected dividend yield – 0% and expected life of 2 years). \$216,801 of these proceeds were received prior to the March 31, 2016 year end.

(ii) On June 9, 2016, the Company closed a second tranche of a private placement financing for gross proceeds of \$28,000. Upon closing the financing, Beleave issued 93,332 units at a price of \$0.30 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of \$0.50 for a period of two years from closing. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of \$9,613 (Assumptions used were as follows: expected volatility – 113.7%, risk-free interest rate – 0.52%, expected dividend yield – 0% and expected life of 2 years).

(iii) On September 21, 2016, Beleave closed a non-brokered private placement financing for gross proceeds of \$1,405,000. Pursuant to the non-brokered private placement financing the Company issued an aggregate of 3,512,500 units at a price of \$0.40 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of \$0.50 for a period of two years from date of closing. The common shares and warrants issued pursuant to the financing are subject to a four-month hold period. No finder's fees were paid in connection with the financing. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of \$509,313 (Assumptions used were as follows: expected volatility – 98.36%, risk-free interest rate – 0.57%, expected dividend yield – 0% and expected life of 2 years).

BELEAVE INC.**Notes to the Condensed Interim Consolidated Financial Statements**
Three and Nine Months Ended December 31, 2017
(Expressed in Canadian Dollars)
(Unaudited)

6. Share capital (continued)**(b) Issued common shares (continued):**

(iv) On October 6, 2016, Beleave closed a non-brokered private placement financing for gross proceeds of \$250,000. Upon closing the financing, Beleave issued 416,666 units at a price of \$0.60 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at a price of \$0.75 for a period of two years from closing. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of \$93,333 (Assumptions used were as follows: expected volatility – 102.91%, risk-free interest rate – 0.57%, expected dividend yield – 0% and expected life of 2 years). The Company incurred a total cost of issue of \$31,623. The common shares and warrants issued pursuant to the financing are subject to a four-month hold period.

(v) The Company completed a shares-for-debt transaction during the nine months ended December 31, 2016 with related parties and other parties of the Company whereby the Company issued common shares for the settlement of the amounts owing to such creditors. Pursuant to the debt settlement, the Company settled \$703,713 of existing debt through the issuance of 1,325,377 shares. Included in the debt settlement was 445,095 common shares issued to its officers in lieu of cash for consulting fees in the amount of \$190,770. A loss on debt settlement of \$35,538 was recorded in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

(vi) The Company has agreed to issue common shares to employees and consultants of the Company based on certain milestones being achieved in the MMPR licensing process. During the nine months ended December 31, 2016, the Company issued 1,050,000 shares valued at \$951,000. A loss on settlement of the shares of \$21,000 was included in the unaudited condensed interim consolidated statements of loss and comprehensive loss. In addition, 250,000 shares were issuable as at March 31, 2017 with fair value of \$647,500. Those shares were issued subsequently on April 3, 2017.

(vii) During the three and nine months ended December 31, 2016, in settlement of accrued liabilities of \$87,500, the Company issued 174,999 broker units with each unit consisting of one common share of the Company and one warrant exercisable for one common share of the Company at \$0.5 per share expiring on the date that is earlier of: (i) 30 days following the date of the Company provides notice to the warrant holders that it has received its license to produce marijuana for medical purposes from Health Canada, and (ii) March 4, 2017. 58,333 of these units remained outstanding as at December 31, 2016 (note 7).

(viii) The Company completed shares-for-debt transactions during the three and nine months ended December 31, 2017 with related parties and other parties of the Company whereby the Company issued common shares for the settlement of the amounts owing to such creditors. Pursuant to the debt settlement, the Company settled \$179,671 and \$370,345, respectively, of existing debt through the issuance of 121,710 and 223,885 shares to its officers in lieu of cash for consulting fees, resulting in a loss of \$19 and \$12,675 for the three and nine months ended December 31, 2017.

(ix) The Company has agreed to issue common shares to employees and consultants of the Company based on certain milestones being achieved in the MMPR licensing process. During the three and nine months ended December 31, 2017, the Company issued 103,440 and 2,053,440 shares valued at \$176,882 and \$3,436,882, respectively, including issuance of 250,000 shares valued at \$625,000 in settlement of shares to be issued as at March 31, 2017 of \$647,500, resulting a gain of debt settlement of \$22,500 for the nine months ended December 31, 2017.

BELEAVE INC.
Notes to the Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended December 31, 2017
(Expressed in Canadian Dollars)
(Unaudited)
6. Share capital (continued)**(b) Issued common shares (continued):**

(x) On December 5, 2017, the Company completed a non-brokered private placement (the "Non-Brokered Offering") of 6,626,480 units of the Company at a price of \$1.50 per unit for aggregate gross proceeds of \$9,939,720. Each unit issued is comprised of one common share of the Company (a "Common Share") and one common share purchase warrant of the Company (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of \$2.00 for a period of 24 months from the date of issuance of the Warrant, subject to accelerated expiry in the event that the ten-day volume weighted average price of the Common Shares on the Canadian Securities Exchange (the "CSE"), or other exchange or quotation system where the Company's shares are listed and where a majority of the trading volume of the Common Share occurs, equals or exceeds \$3.00. Based on the Black-Scholes pricing model, these warrants had an allocated fair value of \$3,459,620 (Assumptions used were as follows: expected volatility – 95.98%, risk-free interest rate – 1.52%, expected dividend yield – 0% and expected life of 2 years). The Company incurred a total cost of issue of \$83,252. The common shares and warrants issued pursuant to the financing are subject to a four-month hold period.

7. Warrants

As of December 31, 2017 and 2016, the Company has the following warrants outstanding with the corresponding average exercise prices:

| | Number of warrants | Weighted average exercise price |
|--|--------------------|---------------------------------|
| Balance at March 31, 2016 | 4,416,667 | \$ 0.50 |
| Warrants issued (Note 6(b)(i)(ii)(iii)(iv)) | 5,486,833 | 0.52 |
| Warrants issued in Broker Units (Note 6(b)(vii)) | 174,999 | 0.50 |
| Warrants exercised | (2,681,666) | 0.50 |
| Expiring of broker warrants | (250,000) | 0.50 |
| Balance at December 31, 2016 | 7,146,833 | \$ 0.51 |
| Balance at March 31, 2017 | 5,364,625 | \$ 0.52 |
| Warrants exercised | (2,076,709) | 0.53 |
| Warrants expired | (185,000) | 0.50 |
| Warrants granted (Note 6(b)(x)) | 6,626,480 | 2.00 |
| Balance at December 31, 2017 | 9,729,396 | \$ 1.52 |

The following table reflects the actual warrants issued and outstanding as of December 31, 2017:

| Expiry date | Exercise price (\$) | Number of warrants |
|----------------|---------------------|--------------------|
| April 2018 | 0.50 | 810,002 |
| June 2018 | 0.50 | 73,332 |
| September 2018 | 0.50 | 2,111,250 |
| October 2018 | 0.75 | 108,333 |
| December 2019 | 2.00 | 6,626,480 |

BELEAVE INC.**Notes to the Condensed Interim Consolidated Financial Statements****Three and Nine Months Ended December 31, 2017****(Expressed in Canadian Dollars)****(Unaudited)**

9,729,397

BELEAVE INC.

Notes to the Condensed Interim Consolidated Financial Statements
Three and Nine Months Ended December 31, 2017
(Expressed in Canadian Dollars)
(Unaudited)

8. Share-based compensation and stock options

The Company has a stock option plan (the "Plan") which allows, at the discretion of the Board of Directors, eligible directors, employees, consultants or affiliates to be granted incentive stock options exercisable to purchase common shares.

The plan was amended at the Annual General meeting held on November 18, 2016, which increased the maximum number authorised for issuance to 4,288,437. The options can be granted for a maximum term of ten years.

The Board shall establish a vesting period or periods at the time each option is granted to eligible persons, provided that options granted to eligible persons providing investor relations services are required to vest in stages over 12 months with no more than one quarter of the options vesting in any three-month period.

The following table shows the continuity of options:

| | Number of options | Weighted average exercise price |
|--|-------------------|---------------------------------|
| Balance, March 31, 2016 | 2,730,000 | \$ 0.50 |
| Granted (i) | 790,000 | 0.50 |
| Cancelled | (560,000) | 0.50 |
| Balance, December 31, 2016 | 2,960,000 | \$ 0.50 |
| Balance, March 31, 2017 and December 31, 2017 | 4,280,000 | \$ 0.89 |

- (i) On June 27, 2016 the Company approved the grant of 790,000 options to various parties to purchase common shares with an exercise price of \$0.50. 480,000 of these options expire in 5 years and 310,000 options expire in two years. Based on the Black-Scholes pricing model, 480,000 of the options had an estimated fair value of \$228,336 which vested immediately and 310,000 had an estimated fair value of \$94,209 which vested immediately.
- (ii) On January 11, 2017, the Company granted 1,320,000 options exercisable at \$1.75 per common share to various consultants and members of the board of directors. These options expire in 5 years. Based on the Black-Scholes pricing model, 1,220,000 of the options had an estimated fair value of \$1,531,588 which vested immediately and 100,000 of these options had an estimated fair value of \$125,440 which vest 25% on grant date with quarterly increase of 25%. The estimated fair value expensed during the three and nine months ended December 31, 2017 was \$1,265 and \$43,826, respectively.

The following table reflects the actual stock options issued and outstanding as of December 31, 2017:

| Expiry date | Exercise price (\$) | Weighted average remaining contractual life (years) | Number of options outstanding | Number of options vested (exercisable) |
|--------------------|---------------------|---|-------------------------------|--|
| June 27, 2018 | 0.50 | 0.49 | 310,000 | 310,000 |
| March 28, 2020 | 0.50 | 2.24 | 1,000,000 | 1,000,000 |
| December 22, 2020 | 0.50 | 2.98 | 1,080,000 | 1,080,000 |
| September 17, 2021 | 0.50 | 3.72 | 90,000 | 90,000 |
| June 27, 2021 | 0.50 | 3.49 | 480,000 | 480,000 |
| January 11, 2022 | 1.75 | 4.03 | 1,320,000 | 1,320,000 |
| | | 3.02 | 4,280,000 | 4,280,000 |

BELEAVE INC.**Notes to the Condensed Interim Consolidated Financial Statements**
Three and Nine Months Ended December 31, 2017
(Expressed in Canadian Dollars)
(Unaudited)

9. Net loss per common shares

The calculation of basic and diluted loss per share for the three and nine months ended December 31, 2017 was based on the loss attributable to common shareholders of \$1,854,968 and \$6,315,208, respectively, (three and nine months ended December 31, 2016 - loss of \$916,952 and \$2,917,879, respectively) and the weighted average number of common shares outstanding of 34,485,628 and 31,916,036, respectively, (three and nine months ended December 31, 2016 - 24,453,131 and 20,536,619, respectively).

10. Related party transactions

The Company transacts with related parties in the normal course of business. These transactions are measured at their exchange amounts.

Companies owned and/or controlled by certain directors of the Company provided services or sale of items of property and equipment which are included in the financial statements as follows:

| | Three months ended December 31, 2017 | Three months ended December 31, 2016 | Nine months ended December 31, 2017 | Nine months ended December 31, 2016 |
|------------------|---|---|--|--|
| Expenses: | | | | |
| Rent | \$ 18,000 | \$ 18,000 | \$ 54,000 | \$ 54,000 |

See Note 6(b)(v)(viii) for shares-for-debt transaction with officers.

As at December 31, 2017, there was \$143,294 (March 31, 2017 - \$150,500) outstanding payables to related parties.

Key management compensation is comprised of the following:

| | Three months ended December 31, 2017 | Three months ended December 31, 2016 | Nine months ended December 31, 2017 | Nine months ended December 31, 2016 |
|--------------------------|---|---|--|--|
| Short term benefits | \$ 103,500 | \$ 213,042 | \$ 283,500 | \$ 1,167,042 |
| Share-based compensation | 100,265 | - | 2,975,826 | 84,374 |

11. Segmented information

The Company operates in only one business segment, namely as a licensed producer of marihuana for medical purposes. All of the Company's assets are located in Canada.

BELEAVE INC.**Notes to the Condensed Interim Consolidated Financial Statements****Three and Nine Months Ended December 31, 2017****(Expressed in Canadian Dollars)****(Unaudited)**

12. Commitments

On July 1, 2015 the Company signed a long term net lease agreement with a related party for a term of 8.5 years and the option to extend the lease for 5 years, twice. For the first 3.5 years, the net rent payable is \$14,875 monthly until December 2018, with 5% annual increase from January 1st, 2019 and each subsequent year.

The Company has agreed to issue common shares to employees and consultants of the Company based on certain milestones being achieved in the MMPR licensing process.

The total number of shares to be issued over the remaining milestones of the agreement is 3,000,000 shares.

13. Subsequent events

(i) Subsequent to December 31, 2017, 6,666 warrants were exercised for cash proceeds of \$3,333.

(ii) Subsequent to December 31, 2017, 80,275 shares were issued in settlement of debt in the amount of \$240,263.

(iii) On January 4, 2018, the Company granted 1,350,000 stock options to purchase common shares to the directors and management team members in accordance with the Company's stock option plan. Each option is exercisable to purchase one common share of the Company at \$3.00 per common share. All options vest immediately and have a five-year term.