

**AREV NANOTEC BRANDS INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019**

**STATED IN CANADIAN DOLLARS**

**(UNAUDITED – PREPARED BY MANAGEMENT)**

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# AREV NANOTEC BRANDS INC.

Stated in Canadian dollars

Unaudited

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at June 30, 2020	As at December 31, 2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 48,030	\$ 29,681
Amounts receivable		33,705	21,837
Prepaid expenses and deposits		24,123	34,053
Investment		80,000	-
<b>Total Current Assets</b>		<b>185,858</b>	<b>85,571</b>
<b>Non-current Assets</b>			
Property and equipment	4	893,056	793,853
Right of use asset	11	124,259	-
<b>Total Assets</b>		<b>\$ 1,203,173</b>	<b>\$ 879,424</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 454,846	\$ 370,815
Due to related parties	7	513,356	461,221
Lease payable		48,439	-
Loan payable	6	100,000	100,000
Convertible debentures	5	473,408	473,182
		<b>1,590,049</b>	<b>1,405,218</b>
<b>Non-current Liabilities</b>			
Lease payable		77,344	-
<b>Total Liabilities</b>		<b>1,667,393</b>	<b>1,405,218</b>
<b>SHAREHOLDERS' DEFICIT</b>			
Share capital		11,765,076	11,315,076
Shares issuable		7,500	7,500
Share subscriptions receivable		(12,500)	(12,500)
Equity portion of convertible debentures		49,841	49,841
Share based payment reserve		2,178,608	2,178,608
Accumulated other comprehensive income		145	254
Deficit		(14,452,890)	(14,064,573)
<b>Total Shareholders' Deficit</b>		<b>(464,220)</b>	<b>(525,794)</b>
<b>Total Liabilities and Shareholders' Deficit</b>		<b>\$ 1,203,173</b>	<b>\$ 879,424</b>
Nature of Operations and Going Concern	1		
Commitments	11		
Subsequent event	13		

Approved and authorized for issuance on behalf of the Board of Directors on August 28, 2020:

/s/ Mike Withrow

Mike Withrow, Director

/s/ Denby Greenslade

Denby Greenslade, Director

# AREV NANOTEC BRANDS INC.

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## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

Note	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
<b>REVENUE</b>	\$ 53,818	\$ -	\$ 87,823	\$ 65,501
<b>EXPENSES</b>				
Advertising and marketing	563	4,761	1,424	8,176
Amortization and depreciation	4,11 39,942	-	70,987	-
Consulting and management fees	7 31,000	306,184	59,710	364,355
Office and administration	19,740	45,234	36,276	80,179
Professional fees	7 19,896	51,065	35,443	81,777
Property expenses	24,130	-	25,351	-
Rent and utilities	9,912	10,537	14,033	22,216
Research and development	155,930	6,133	179,916	1,086,133
Share-based payments	-	972,474	-	991,712
Transfer agent and regulatory fees	13,982	12,728	23,539	31,112
Travel and accommodation	166	49,392	1,867	55,616
Total expenses	315,261	1,458,508	448,546	2,721,276
<b>Loss Before Other Income (Expense)</b>	<b>(261,443)</b>	<b>(1,458,508)</b>	<b>(360,723)</b>	<b>(2,655,775)</b>
<b>Other Income (Expense)</b>				
Accretion of discount on convertible debentures	-	(28,449)	(226)	(53,366)
Interest expense	(13,611)	(22,758)	(27,368)	(42,692)
Total other income (expense)	(13,611)	(51,207)	(27,594)	(96,058)
<b>Net Loss</b>	<b>(275,054)</b>	<b>(1,509,715)</b>	<b>(388,317)</b>	<b>(2,751,833)</b>
<b>Other Comprehensive Income (Loss)</b>				
Unrealized gain (loss) on foreign currency translation	12	5	(109)	34
<b>Total Comprehensive Loss</b>	<b>\$ (275,042)</b>	<b>\$ (1,509,710)</b>	<b>\$ (388,426)</b>	<b>\$ (2,751,799)</b>
<b>Basic and Diluted Loss per Share</b>	<b>\$ (0.02)</b>	<b>\$ (0.17)</b>	<b>\$ (0.03)</b>	<b>\$ (0.32)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>16,133,632</b>	<b>8,993,645</b>	<b>12,795,719</b>	<b>8,711,886</b>

## AREV NANOTEC BRANDS INC.

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### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

	Shares	Amount	Share Subscriptions Receivable	Shares Issuable	Equity Portion of Convertible Debentures	Share-based Payment Reserve	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity (Deficit)
<b>BALANCE, DECEMBER 31, 2018</b>	8,130,700	\$ 9,648,627	\$ (12,500)	\$ 7,500	\$ 45,000	\$ 1,117,562	\$ 132	\$ (10,871,737)	\$ (65,416)
Shares issued for acquisition of research and development	666,667	1,080,000	–	–	–	–	–	–	1,080,000
Shares issued for debt settlement	154,884	204,447	–	–	–	–	–	–	204,447
Shares issued for cash	138,890	250,002	–	–	–	–	–	–	250,002
Share-based payments	–	–	–	–	–	991,712	–	–	991,712
Equity portion of convertible debenture	–	–	–	–	4,841	–	–	–	4,841
Foreign currency translation gain	–	–	–	–	–	–	34	–	34
Net loss for the period	–	–	–	–	–	–	–	(2,751,833)	(2,751,833)
<b>BALANCE, JUNE 30, 2019</b>	9,091,141	\$ 11,183,076	\$ (12,500)	\$ 7,500	\$ 49,841	\$ 2,109,274	\$ 166	\$ (13,623,570)	\$ (286,213)
<b>BALANCE, DECEMBER 31, 2019</b>	9,457,807	\$ 11,315,076	\$ (12,500)	\$ 7,500	\$ 49,841	\$ 2,178,608	\$ 254	\$ (14,064,573)	\$ (525,794)
Shares issued for cash	7,500,001	450,000	–	–	–	–	–	–	450,000
Foreign currency translation loss	–	–	–	–	–	–	(109)	–	(109)
Net loss for the period	–	–	–	–	–	–	–	(388,317)	(388,317)
<b>BALANCE, JUNE 30, 2020</b>	16,957,808	\$ 11,765,076	\$ (12,500)	\$ 7,500	\$ 49,841	\$ 2,178,608	\$ 145	\$ (14,452,890)	\$ (464,220)

# AREV NANOTEC BRANDS INC.

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## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

	Six months ended June 30, 2020	Six months ended June 30, 2019
<b>OPERATING ACTIVITIES</b>		
<b>Net loss for the period</b>	\$ (388,317)	\$ (2,751,833)
<b>Items not involving cash:</b>		
Amortization and depreciation	70,987	–
Accretion of discount on convertible debentures	226	53,366
Investment	(80,000)	–
Share-based payments	–	991,712
Shares issued for research and development acquired	–	1,080,000
<b>Changes in non-cash working capital:</b>		
Amounts receivable	(11,868)	9,158
Prepaid expenses and deposits	9,930	(65,633)
Accounts payable and accrued liabilities	84,033	317,883
Due to related parties	52,135	74,777
<b>Net cash provided by (used in) operating activities</b>	<b>(262,874)</b>	<b>(290,570)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(145,340)	(172,760)
Loan receivable	–	(117,708)
<b>Net cash used in investing activities</b>	<b>(145,340)</b>	<b>(290,468)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from loan payable	–	328,000
Shares issued for cash	450,000	250,002
Lease payments	(23,328)	–
<b>Net cash provided by financing activities</b>	<b>426,672</b>	<b>578,002</b>
<b>Effects of foreign exchange rate changes on cash</b>	<b>(109)</b>	<b>34</b>
<b>Change in cash</b>	<b>18,349</b>	<b>(3,002)</b>
Cash, beginning	29,681	8,374
<b>Cash, end</b>	<b>\$ 48,030</b>	<b>\$ 5,372</b>

Supplemental cash flow information (Note 10)

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **1) Nature of operations and going concern**

AREV NanoTec Brands Inc. (formerly AREV Brands International Ltd.) (the "Company") was incorporated under the Business Corporations Act (Alberta) on November 22, 2005. The Company focuses on R&D of formulations and is currently developing and plans on distributing its line of branded natural health and cannabis infused products.

On March 19, 2020, the Company consolidated its share capital on a 6-for-1 basis. These condensed consolidated interim statements reflect this share consolidation on a retroactive basis.

The registered address of the Company is Suite 440, 890 West Pender Street, Vancouver, BC, V6C 1J9. The principal place of business of the Company is 109 - 91 Golden Drive, Coquitlam, BC, V3K 6R2. The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol "AREV" and on October 9, 2019, the common shares began trading on the OTCQB Market ("OTCQB") under the symbol "AREVF".

On March 11, 2020, the World Health Organization declared the coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, economies, as well as financial markets globally, potentially leading to an economic downturn. Efforts to contain the virus has severely limited the mobility of people and businesses. However, it is not possible for the Company at this time to predict the duration or magnitude of the impact towards the Company's business or results from its operations.

These condensed consolidated interim statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2020, the Company had a working capital deficit of \$1,404,191 and an accumulated deficit of \$14,452,890. The Company's ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast doubt on the ability of the Company to continue as a going concern. These condensed consolidated interim statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

### **2) Significant accounting policies**

#### **a) Statement of compliance**

These condensed consolidated interim statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **2) Significant accounting policies (continued)**

#### **b) Basis of presentation**

These condensed consolidated interim statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. These condensed consolidated interim statements are presented in Canadian dollars, which is also the Company's functional currency. In addition, these condensed consolidated interim statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2019.

The Company uses the same accounting policies and methods of computation as in the annual audited consolidated financial statements for the year ended December 31, 2019.

#### **c) Basis of consolidation**

These condensed consolidated interim statements include the financial statements of the Company and its wholly-owned inactive subsidiary, Deutsche Medizinal Cannabis UG, incorporated in Munich, Germany. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when an investor has existing rights that give it the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a Company's share capital. All significant inter-company transactions and balances have been eliminated.

#### **d) Use of estimates and judgments**

The preparation of these condensed consolidated interim statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the collectability of amounts receivable and loans receivable, incremental borrowing rate used to calculate the fair value of the convertible debentures and the useful lives and recoverability of property and equipment and intangible assets, fair value of share-based payments and convertible debentures, and unrecognized deferred income tax assets.

Management reviews objective evidence each reporting period to assess whether there are indications of impairment of the intangible assets and make judgments about their period of use. These determinations and their individual assumptions require that management make a decision based on the best and most reliable information available at each reporting period.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.



## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **3) Financial instruments and risk management**

#### **a) Fair Values**

Fair value measurements are classified using a fair value hierarchy that reflects the significance of 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); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which include cash, amounts receivable, loan receivable, accounts payable and accrued liabilities, loans payable, convertible debt, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

#### **b) Credit Risk**

Credit risk is the risk of financial loss to the Company if any counterparty fails to discharge its obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, amounts receivable and loan receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consists primarily of GST receivable from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

#### **c) Interest Rate Risk**

The Company's cash may contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

#### **d) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations as they become due.

## AREV NANOTEC BRANDS INC.

Stated in Canadian dollars

Unaudited

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### 4) Property and equipment

<b>COST:</b>	Land	Equipment	Leasehold Improvements	Total
<b>Balance, December 31, 2018</b>	\$ -	\$ 1	\$ 3,200	\$ 3,201
Additions	572,300	287,112	-	859,412
<b>Balance, December 31, 2019</b>	572,300	287,113	3,200	862,613
Additions	-	145,340	-	145,340
<b>Balance, June 30, 2020</b>	\$ 572,300	\$ 432,453	\$ 3,200	\$ 1,007,953

  

<b>ACCUMULATED DEPRECIATION:</b>				
<b>Balance, December 31, 2018</b>	\$ -	\$ -	\$ 3,200	\$ 3,200
Additions	-	65,560	-	65,560
<b>Balance, December 31, 2019</b>	-	65,560	3,200	68,760
Additions	-	46,137	-	46,137
<b>Balance, June 30, 2020</b>	\$ -	\$ 111,697	\$ 3,200	\$ 114,897

  

<b>As at December 31, 2019</b>	\$ 572,300	\$ 221,553	\$ -	\$ 793,853
<b>As at June 30, 2020</b>	\$ 572,300	\$ 320,756	\$ -	\$ 893,056

During the year ended December 31, 2019, the Company closed a purchase and sale agreement to acquire a 100% interest in real estate located in Sorrento, B.C. from a company controlled by the Chief Executive Officer of the Company. The purchase price was \$572,300 of which \$23,408 was paid by way of a convertible debenture issued by the Company accruing interest at 8% per annum. The remaining balance was paid in cash, of which \$526,592 was paid in fiscal 2018 and the remaining \$22,300 paid in fiscal 2019. The outstanding principal amount and outstanding accruing interest of the convertible debenture is convertible into common shares of the Company at a price of \$1.80 per common share.

#### 5) Convertible debentures

On July 3, 2018, the Company issued a \$450,000 convertible debenture related to the asset purchase and sale agreement with Matthew Harvey. The debenture accrues interest at 8% per annum, is due on July 3, 2019, and is convertible into common shares of the Company at a price of \$3.00 per common share. As at June 30, 2020, the accrued interest on the debenture totalled \$71,803 (December 31, 2019 - \$53,852) and is included in accounts payable and accrued liabilities. On January 29, 2020, the Company filed a lawsuit against Matthew Harvey for non-delivery of assets and is claiming the entire \$5,250,000 paid for the assets (Note 12).

On January 17, 2019, the Company closed a purchase and sale agreement to acquire a 100% interest in real estate located in Sorrento, B.C. from a company controlled by the Chief Executive Officer of the Company. The purchase price was \$572,300 of which \$23,408 was paid by way of a convertible debenture issued by the Company accruing interest at 8% per annum. The remaining balance was paid in cash, of which \$526,592 was paid in fiscal 2018 and the remaining \$22,300 paid in fiscal 2019. The outstanding principal amount and outstanding accruing interest of the convertible debenture is convertible into common shares of the Company at a price of \$1.80 per common share. As at June 30, 2020, the accrued interest on the debenture totalled \$5,623 (December 31, 2019 - \$3,693) and is included in accounts payable and accrued liabilities.

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **6) Loan payable**

On March 5, 2019, the Company loaned \$100,000 (2018 - \$nil) from an arm's length party, which bears interest at 8% compounded annually, is unsecured and due on demand. As at June 30, 2020, the accrued interest on the loan payable totalled \$10,597 (December 31, 2019 - \$6,597) and is included in accounts payable and accrued liabilities.

### **7) Related party transactions**

As at June 30, 2020, the Company owed \$63,000 (December 31, 2019 - \$64,616) to a director of the Company. The amount owing is non-interest bearing, unsecured, and due on demand. During the period ended June 30, 2020, the Company incurred \$36,000 (2019 - \$nil) of consulting fees to the director.

As at June 30, 2020, the Company owed \$450,356 (December 31, 2019 - \$396,605) to the Chief Executive Officer of the Company. The amount owing is non-interest bearing, unsecured, and due on demand. Subsequent to June 30, 2020, the Company settled \$100,000 in debt with the CEO by the issuance of 1,000,000 common shares at \$0.10. During the year ended December 31, 2019, the Company received a convertible debenture of \$23,182 from a Company controlled by the Chief Executive Officer of the Company (note 5).

During the period ended June 30, 2020, the Company incurred \$nil (2019 - \$21,000) of accounting fees to a company where the former Chief Financial Officer of the Company is a partner.

During the period ended June 30, 2020, the Company incurred \$nil (2019 - \$6,000) of management fees to the former Chief Executive Officer of the Company.

During the period ended June 30, 2019, the Company granted stock options with a fair value of \$882,274 to key management personnel.

### **8) Share capital**

#### **a) Authorized capital:**

- unlimited common shares without par value
- 20,000,000 preferred shares, issuable in one or more series
- 20,000,000 redeemable preferred shares, issuable in one or more series

#### **b) Issued or allotted and fully paid:**

Share issuances during the period ended June 30, 2020:

On April 3, 2020, the Company issued 3,750,001 units at \$0.06 per unit for proceeds of \$225,000. Each unit was comprised of one common share and one share purchase warrant with each warrant being exercisable at \$0.08 per share expiring two years from the date of issuance.

On April 17, 2020, the Company issued 3,750,000 units at \$0.06 per unit for proceeds of \$225,000. Each unit was comprised of one common share and one share purchase warrant with each warrant being exercisable at \$0.08 per share expiring two years from the date of issuance.

Share issuances during the year ended December 31, 2019:

On February 19, 2019, the Company issued 666,667 common shares with a fair value of \$1,080,000 to acquire branding and intellectual property under the name Canna Gold, which has been recorded under research and development.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**8) Share capital (continued)**

On April 25, 2019 the Company issued 154,884 common shares with a fair value of \$204,447 to settle debts of \$232,327 owing to two vendors, resulting in a gain on settlement of debt of \$27,879.

On May 6, 2019, the Company issued 138,890 units at a price of \$1.80 per unit, for proceeds of \$250,002. Each unit is comprised of one common share and one common share purchase warrant. Each warrant is exercisable at \$3.00 per share for a period of 12 months from the date of issuance.

On November 21, 2019, the Company issued 366,666 common shares with a fair value of \$132,000 as a milestone success fee to a director and Chief Executive Officer of the Company.

**c) Stock options**

The Company has a stock option plan pursuant to which the Board of Directors may grant options to purchase common shares to the officers, directors, and employees of the Company or affiliated companies and to consultants retained by the Company. The aggregate number of common shares reserved for issuance under the stock option plan is set at a maximum of 10% of the total number of shares outstanding at the time the options are granted. Furthermore, the aggregate number of shares issuable to one individual may not exceed 5% of the total number of issued and outstanding common shares of the Company. The exercise price of all options issued under the stock option plan may not be less than the closing market price on the last business day prior to the date the option was granted.

On February 12, 2019, the Company granted 16,667 stock options to a consultant of the Company at a price of \$1.44 per option for a period of 5 years from the date of issuance.

On April 25, 2019, the Company granted 16,667 stock options to a consultant of the Company at a price of \$1.32 per option for a period of 5 years from the date of issuance.

On May 2, 2019, the Company granted 533,333 stock options to officers and consultants of the Company at a price of \$1.95 per option for a period of 5 years from the date of issuance.

On June 10, 2019, the Company granted 100,000 stock options to directors, officers and consultants of the Company at a price of \$1.56 per option for a period of 5 years from the date of issuance.

On July 16, 2019, the Company granted 16,667 stock options to a consultant of the Company at a price of \$1.38 per option for a period of 5 years from the date of issuance.

Option activity during the years are summarized as follows:

	Number of stock options	Weighted average exercise price (\$)
Outstanding, December 31, 2018	400,000	2.34
Granted	683,333	1.55
Cancelled	(870,833)	1.99
Outstanding, December 31, 2019	212,500	2.19
Cancelled	(16,667)	2.40
Outstanding, June 30, 2020	195,833	2.17

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### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### 8) Share capital (continued)

##### c) Stock options (continued)

Additional information regarding stock options outstanding as at June 30, 2020, is as follows:

Exercise prices \$	Outstanding and exercisable	
	Number of options	Weighted average remaining contractual life (years)
2.94	8,333	2.4
2.40	129,166	3.2
1.32	16,667	3.8
1.95	16,667	3.8
1.56	8,333	3.9
1.38	16,667	4.0
	195,833	3.4

During the year ended December 31, 2019, the Company recorded share-based compensation of \$1,061,046. The weighted average grant date fair value of stock options granted during the year ended December 31, 2019 was \$1.55 per share. The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following weighted average assumptions:

	Six months ended June 30, 2020	Year ended December 31, 2019
Risk-free interest rate	-	1.60%
Expected life (in years)	-	5
Expected volatility	-	89.8%

##### d) Share purchase warrants

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2018	559,767	2.22
Issued	138,890	3.00
Expired	(443,100)	2.40
Balance, December 31, 2019	255,557	1.77
Issued	7,500,001	0.08
Expired	(255,557)	1.77
Balance, June 30, 2020	7,500,001	0.08

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### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### 8) Share capital (continued)

##### d) Share purchase warrants (continued)

As at June 30, 2020, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
3,750,001	0.08	April 3, 2022
<u>3,750,000</u>	0.08	April 17, 2022
<u>7,500,001</u>		

#### 9) Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to sustain future development of the business. The capital structure of the Company consists of cash and equity comprised of issued share capital, share subscriptions receivable, and contributed surplus.

The Company manages its capital structure and makes adjustments to it according to economic market conditions. Management monitors the Company's ongoing capital requirements against unrestricted net working capital and assesses expected capital requirements for the fiscal period. In order to maintain or adjust the capital structure, the Company may adjust spending, issue new shares, sell assets, or incur debt.

The Company is not subject to externally imposed capital requirements and there have been no changes to the Company's capital management policy during the period ended June 30, 2020.

#### 10) Supplemental cash flow information

	Six months ended June 30, 2020	Six months ended June 30, 2019
<b>Non-cash investing and financing activities:</b>		
Acquisition of land paid by convertible debenture issued	\$ –	\$ 18,567
Acquisition of property and equipment paid by an arm's length party	–	32,100
Acquisition of property and equipment paid by related party	–	32,250
Shares issued for debt settlement	–	204,447

## AREV NANOTEC BRANDS INC.

Stated in Canadian dollars

Unaudited

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

#### 11) Commitments

On December 2, 2019, the Company entered into an industrial lease agreement until December 2, 2022. The lease commenced on January 2, 2020. Expected annual payments under this lease arrangement are as follows:

	\$
2020	52,611
2021	53,623
2022	54,635
	<u>160,869</u>

IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company recorded a right of use asset of \$149,111 related to its industrial lease agreement in the Company's condensed consolidated interim financial statements for the period ended June 30, 2020.

Right of Use Asset	\$
Balance, December 31, 2018 and 2019	-
Additions	149,111
Amortization	<u>(24,852)</u>
Balance, June 30, 2020	<u>124,259</u>

#### 12) Litigation

On January 29, 2020, the Company commenced litigation in the Supreme Court of British Columbia against the Defendant, Matthew Harvey, the vendor of the BC Bud Depot Assets. The Company is seeking damages, punitive damages, interest, injunctive relief, and costs relating to breach of contract between Matthew Harvey and the Company. The outcome of the litigation cannot be reasonably determined at this time.

#### 13) Subsequent event

On July 13, 2020, the Company settled \$100,000 in debt with the CEO of the Company by the issuance of 1,000,000 common shares at \$0.10.