

**The BC Bud Corporation
(Formerly Entheos Capital Corp.)**

Consolidated Financial Statements

**For the years ended February 28, 2022 and 2021
(Expressed in Canadian Dollars)**

**1500 – 409 Granville Street Vancouver, BC
V6C 1T2**

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF THE BC BUD CORPORATION

Opinion

We have audited the consolidated financial statements of The BC Bud Corporation and its subsidiaries (formerly Entheos Capital Corp.) (the "Company"), which comprise:

- ♦ the consolidated statements of financial position as at February 28, 2022 and 2021;
- ♦ the consolidated statements of loss and comprehensive loss for the years then ended;
- ♦ the consolidated statements of changes in shareholders' equity for the years then ended;
- ♦ the consolidated statements of cash flows for the years then ended; and
- ♦ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at February 28, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$2,857,823 during the year ended February 28, 2022 and, as of that date, the Company had an accumulated deficit of \$2,916,215. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Vancouver

1700 - 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley

600 - 19933 88 Ave
Langley, BC V2Y 4K5
T: 604 282 3600
F: 604 357 1376

Nanaimo

201 - 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Vancouver

1700 - 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley

600 - 19933 88 Ave
Langley, BC V2Y 4K5
T: 604 282 3600
F: 604 357 1376

Nanaimo

201 - 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

June 27, 2022

Vancouver

1700 - 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley

600 - 19933 88 Ave
Langley, BC V2Y 4K5
T: 604 282 3600
F: 604 357 1376

Nanaimo

201 - 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

The BC Bud Corporation (formerly Entheos Capital Corp.)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	February 28, 2022	February 28, 2021
Assets (Note 11)			
Current assets			
Cash and cash equivalents	4	\$ 1,403,019	\$ 340,429
GST receivable		30,549	1,582
Prepaid expenses		33,325	2,317
Advances	6, 12	408,467	-
Inventory	6	6,836	6,273
Term deposit	5	5,000	-
		1,887,196	350,601
Machinery and equipment	7	59,446	68,591
Intangible assets	8	2,007	1,340
		\$ 1,948,649	\$ 420,532
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 84,350	\$ 26,451
Due to shareholder	12	-	14
Loan payable	9, 12	92,596	-
		176,946	26,465
Loan payable	9, 12	-	85,761
		176,946	112,226
Shareholders' equity			
Share capital	10, 11	4,255,971	351,340
Reserves	10	431,947	15,358
Deficit		(2,916,215)	(58,392)
		1,771,703	308,306
		\$ 1,948,649	\$ 420,532

On behalf of the Board:

"Brayden Sutton"
Director

"Joshua Taylor"
Director

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

The BC Bud Corporation (formerly Entheos Capital Corp.)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

		Years Ended	
		February 28	
	Note	2022	2021
Revenue		\$ 151	\$ 534
Cost of sales		51	261
Gross margin		100	273
Operating expenses			
Advertising and promotion	6	\$ 126,653	\$ 17,017
Amortization and depreciation	7, 8	17,645	-
Consulting fees	12	107,895	10,000
Incorporation cost		-	382
Insurance		32,175	-
Office and administration		8,656	1,861
Professional fees		71,258	24,916
Regulatory and transfer agent fees		11,213	-
Rent		450	-
Research and development		21,440	-
Share-based compensation	12	416,589	-
Supplies		1,083	-
Trademark registration		-	1,090
		815,057	55,266
Net operating loss		(814,957)	(54,993)
Other expenses (income)			
Other income		(1,273)	-
Listing expense	11	2,037,304	-
Accretion expense	9	6,835	1,119
		2,042,866	1,119
Loss and comprehensive loss for the year		\$(2,857,823)	\$ (56,112)
Basic and diluted loss per common share		\$ (0.10)	\$ (0.01)
Weighted average number of common shares outstanding		29,524,989	4,294,521

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

The BC Bud Corporation (formerly Entheos Capital Corp.)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Share Capital		Stock	Reserves			
	Number	Amount	Options	Restricted	Other	Deficit	Total
	Outstanding	\$	\$	Stock Units	\$	\$	\$
Balance, February 29, 2020	1	1	-	-	-	(2,280)	(2,279)
Cancellation of incorporation shares	(1)	(1)	-	-	-	-	(1)
Issuance of common shares for cash	5,250,000	350,000	-	-	-	-	350,000
Issuance of common shares for intangible asset	21,000,000	1,340	-	-	-	-	1,340
Equity contribution from shareholder	-	-	-	-	15,358	-	15,358
Loss for the year	-	-	-	-	-	(56,112)	(56,112)
Balance, February 28, 2021	26,250,000	351,340	-	-	15,358	(58,392)	308,306
Reverse takeover transaction	18,593,482	3,904,631	-	-	-	-	3,904,631
Share-based compensation	-	-	152,086	264,503	-	-	416,589
Net loss for the year	-	-	-	-	-	(2,857,823)	(2,857,823)
Balance, February 28, 2022	44,843,482	4,255,971	152,086	264,503	15,358	(2,916,215)	1,771,703

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

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

	Years Ended February 28	
	2022	2021
Operating activities		
Net loss for the year	\$(2,857,823)	\$ (56,112)
Items not involving cash:		
Accretion expense	6,835	1,119
Amortization and depreciation	17,645	-
Share-based compensation	416,589	-
Listing expense	1,993,813	-
Change in working capital:		
GST receivable	(25,168)	(1,582)
Prepaid expenses	(30,133)	(2,317)
Advances	(408,467)	-
Inventory	(563)	(6,273)
Term deposits	(5,000)	-
Accounts payable and accrued liabilities	16,588	24,951
Due to shareholder	(14)	(766)
Cash used in operating activities	(875,698)	(40,980)
Investing activities		
Machinery and equipment purchase	-	(68,591)
Cash acquired in reverse takeover transaction	1,947,455	-
Intangible assets purchase	(9,167)	-
Cash provided by (used in) investing activities	1,938,288	(68,591)
Financing activities		
Proceeds from issuance of common shares	-	350,000
Repurchase of incorporation share	-	(1)
Proceeds from loan	-	100,000
Cash provided by financing activities	-	449,999
Change in cash and cash equivalents	1,062,590	340,428
Cash and cash equivalents – beginning of year	340,429	1
Cash and cash equivalents – end of year	\$ 1,403,019	\$ 340,429

Supplemental cash flow disclosure (Note 17)

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

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

1. Nature of operations and going concern

The BC Bud Corporation (the “Company”) was incorporated under the laws of Alberta and was continued into British Columbia during the year ended December 31, 2000. On March 31, 2020, the Company changed its name from Waterfront Capital Corporation to Entheos Capital Corp. On September 29, 2021, the Entheos Capital Corp. completed a reverse takeover transaction with The BC Bud Corporation and changed its name to The BC Bud Corporation. The BC Bud Corporation is listed on the Canadian Securities Exchange (“CSE”) under the symbol “BCBC”. The Company’s registered office is located at 1500 – 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

The Company is a house of brands that strategically aligns with licensed cannabis producers to manufacturer a variety of cannabis products. Through their strategic partnership agreements with these licensed manufacturers, the Company will bring to market specialized cannabis-based concentrates, beverages, edibles and apparels.

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company reported a loss of \$2,857,823 for the year ended February 28, 2022 (2021 - \$56,112) and had an accumulated deficit of \$2,916,215 as at February 28, 2022 (2021 - \$58,392). The Company’s ability to continue as a going concern is dependent upon its ability to achieve profitable operations. The achievement of profitable operations is dependent on the demand of its manufactured products by the retailers. The outcome of these matters cannot be predicted at this time. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. To date, the pandemic has not had a significant impact on the Company’s operations.

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

1. Nature of operations and going concern (continued)

Reverse takeover

On September 29, 2021, the Company completed a reverse transaction (“RTO”) with The BC Bud Holdings Corp. (previously The BC Bud Corporation) (“BC Bud”). The shareholders of BC Bud received common shares of the Company on the basis of 2.1 common shares for each BC Bud share held immediately before the RTO. Upon completion of the RTO, the shareholders of BC Bud obtained control of the consolidated entity. Accordingly, BC Bud was identified as the acquirer for accounting purposes, and the consolidated entity is considered to be a continuation of BC Bud, with the net assets of Entheos Capital Corp. at the date of the RTO deemed to have been acquired by BC Bud (Note 9). The consolidated financial statements for the year ended February 28, 2022 include the results of operations of BC Bud from March 1, 2021 and of Entheos Capital Corp from September 29, 2021, the date of the RTO. The comparative figures are those of BC Bud.

2. Basis of Preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out in Note 3 have been applied consistently by the Company in all years presented.

The consolidated financial statements of the Company for the year ended February 28, 2022 were approved and authorized for issue by the Board of Directors on June 27, 2022.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its controlled entities. Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company’s returns. Details of controlled entities are as follows:

	Jurisdiction of Incorporation	Percentage Owned
The BC Bud Holdings Corp.	British Columbia, Canada	100%

All material intercompany balances and transactions have been eliminated upon consolidation.

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

2. Basis of Preparation (continued)

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiary's functional currency. All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

3. Significant Accounting Policies

Use of judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key areas of judgment applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities is as follows:

Going concern

As the Company has not generated income from operations as of February 28, 2022, the assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operation expenditures and to meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events, such as revenue generation, that are believed to be currently reasonable.

Asset acquisition versus business combination

Management had to apply judgment with respect to whether the acquisition of Entheos Capital Corp. (as described in Note 11) was an asset acquisition or business combination. The determination required management to assess the inputs, processes, and outputs of Entheos Capital Corp. at the time of acquisition. Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Pursuant to this assessment, the Entheos Capital Corp. acquisition was considered to be an asset acquisition.

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

3. Significant Accounting Policies (continued)

Determination of control

The determination of the acquirer in a reverse takeover transaction is subject to judgment and requires the Company to determine which party obtains control of the combining entities. Management applies judgment in determining control by assessing the following three factors: whether the Company has power over the entity, whether the Company has exposure or rights to variable returns from its involvement with the entity, and whether the Company has the ability to use its power over the entity to affect the amount of its returns.

Impairment of long-lived assets

Judgment is required in assessing whether certain factors would be considered an indicator of impairment. The Company considers both external and internal source of information in assessing whether there are any indications that a long-lived that a long-lived asset is impaired, or reversal of impairment is needed. Factors considered include current and forecasted economic conditions, internal projections and the Company's market capitalization relative to its net asset carrying amounts.

The key areas of estimates applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities is as follows:

Purchase price allocation

Estimates are made in determining the fair value of the assets and liabilities acquired and the consideration paid as part of an acquisition. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values.

Share-based compensation

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. 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 reserves.

Useful lives of machinery and equipment and intangible assets

Estimates of the useful lives of machinery and equipment and intangible assets are based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets.

Financial instruments

Financial assets

The Company classifies its financial assets as fair value through profit or loss or amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

3. Significant Accounting Policies (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss (“FVPL”) are initially recognized at fair value with changes in fair value recorded in profit or loss. The Company’s cash and cash equivalents and term deposit are recorded at fair value through profit or loss.

Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as fair value through profit and loss: 1) the Company’s objective for these financial assets is to collect their contractual cash flows and 2) the asset’s contractual cash flows represent ‘solely payments of principal and interest’.

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities, due to shareholder and loan payable.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Impairment of financial assets

An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 *Financial Instruments* requires additional disclosure requirements about expected credit losses and credit risk.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

3. Significant Accounting Policies (continued)

Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses. Inventory currently consists of merchandise intended for marketing purposes.

All inventories are periodically reviewed for impairment due to slow-moving and obsolete inventory. Provisions for obsolete, slow-moving or defective inventories are recognized in profit or loss. Previous write-downs to net realizable value are reversed to the extent there is a subsequent increase in the net realizable value of the inventories.

Machinery and equipment

Machinery and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recorded using the straight-line depreciation method and is intended to depreciate the costs of assets over their estimated useful life.

Machinery 20% per year

Equipment 20% per year

Intangible assets

The Company's intangible assets consist of the purchase price of trademarks and website development. The intangible assets are recorded at cost. The Company's trademarks are not yet ready for its intended use as of February 28, 2022, and hence no amortization was taken during the current fiscal year. The Company's website development costs are amortized on a straight-line basis over the estimated useful life of one year.

Research and development expenditures

Distinguishing the research and development phases of a technology or product and determining whether the recognition requirements for the capitalization of development costs are met requires judgment. After capitalization, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalized costs may be impaired. No research and development costs were capitalized during the years ended February 28, 2022 or 2021.

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

3. Significant Accounting Policies (continued)

Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transaction lacks commercial substance or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction. When the fair value of a non-monetary transaction cannot be reliably measured, it is recorded at the carrying amount (after reduction, when appropriate, for impairment) of the asset given up adjusted by the fair value of any monetary consideration received or given. When the asset received or the consideration given up is shares in an actively traded market, the value of those shares will be considered fair value.

Impairment of non-current assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Indefinite life intangible assets are tested annually, or more frequently, if events or changes indicate that the asset may be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share capital

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

3. Significant Accounting Policies (continued)

Warrants issued by the Company typically accompany an issuance of shares in the Company (a “unit”) and entitle the warrant holder to exercise the warrants for a stated price and a stated number of common shares in the Company. The fair value of units issued is measured using the residual value approach, with the allocation of proceeds first to the common shares based on the fair value of the common shares on the date of issuance on the remainder to warrants.

Share-based compensation

The Company has a stock option plan and long-term equity incentive plan that are described in Note 10. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the 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 amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to reserve.

Consideration received on the exercise of stock options or restricted stock units are recorded as share capital and the related reserve is transferred to share capital. For those unexercised stock options and warrants that expire unexercised, the recorded value is reclassified from reserves to deficit.

Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options and warrants outstanding that may add to the total number of common shares. As at February 28, 2022, the Company’s diluted loss per share was the same as the basic loss per share as the Company did not have any potentially dilutive instruments.

Income taxes

The Company uses the deferred method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is possible that future taxable profits will be available against which they can be utilized.

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

3. Significant Accounting Policies (continued)

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Contribution from shareholder

The Company has a loan agreement with a significant shareholder. When loan agreements are entered into with owners of the Company, the excess of cash received over the fair value of the loan is classified as a contribution from shareholder within equity reserves.

Upcoming accounting pronouncements

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended February 28, 2022, and have not been applied in preparing these consolidated financial statements. Management does not expect the adoption of any such new standards and amendments to have any significant impact on the consolidated financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include components of cash that are readily available or convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. It includes deposits in bank and short - term deposits.

4. Cash and Cash Equivalents

Cash equivalents includes a fund deposited into Guaranteed Investment Certificates ("GIC") savings account. The deposit earns a variable interest rate of prime minus 2.2% per annum with a maturity date of April 29, 2022.

Cash and Cash Equivalents

	Term	February 28, 2022	February 28, 2021
Cash	n/a	\$ 213,019	\$ 340,429
GIC	1 Year	1,190,000	-
		\$ 1,403,019	\$ 340,429

5. Term Deposits

The term deposit of \$5,000 (2021 - \$Nil) relates to the minimum balance requirement on the Company's GIC (Note 4). As this amount is not readily convertible into cash, it has not been classified as a cash and cash equivalent,

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

6. Advances and Inventory

Advances

Advances relate to cash advances paid to vendors for the purchase of raw materials inventory held in trust. Advance amount as of February 28, 2022 is \$408,467 (2021 - \$Nil).

Inventory

	February 28, 2022	February 28, 2021
Raw materials - packaging	\$ 6,396	\$ -
Products	440	-
Merchandise	-	6,273
Balance, end of year	\$ 6,836	\$ 6,273

Merchandise inventory consists of branded promotional materials for sale. During the year ended February 28, 2022, \$51 (2020 – \$261) of merchandise inventory was sold to customers and recognized in cost of sales and \$12,945 (2021 – \$Nil) was given away as promotional material and included in advertising and promotion in the consolidated statements of loss and comprehensive loss.

7. Machinery and Equipment

Cost	
Balance, February 28, 2020	\$ -
Additions	68,591
Balance, February 28, 2021 and 2022	\$ 68,591
Accumulated depreciation	
Balance, February 28, 2020 and 2021	\$ -
Additions	(9,145)
Balance, February 28, 2022	\$ (9,145)
Net book value, February 28, 2021	\$ 68,591
Net book value, February 28, 2022	\$ 59,446

No depreciation was recorded on machinery and equipment for the year ended February 28, 2021 as the machinery and equipment was not yet available for its intended use.

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

8. Intangible Assets

Cost	Website Development	Trademarks	Total
Balance, February 28, 2020	\$ -	\$ -	\$ -
Additions	-	1,340	1,340
Balance, February 28, 2021	-	1,340	1,340
Additions	8,500	667	9,167
Balance, February 28, 2021 and 2022	\$ 8,500	\$ 2,007	\$ 10,507

Accumulated depreciation			
Balance, February 28, 2020 and 2021	\$ -	\$ -	\$ -
Additions	(8,500)	-	(8,500)
Balance, February 28, 2022	\$ (8,500)	\$ -	\$ (8,500)

Net book value, February 28, 2021	\$ -	\$ 1,340	\$ 1,340
Net book value, February 28, 2022	\$ -	\$ 2,007	\$ 2,007

On February 5, 2021, the Company entered an asset assignment and assumption agreement, under which trademarks were assigned to the Company by a shareholder of the Company for consideration of 10,000,000 common shares.

Trademarks consist of the following trademarks: "The BC Bud Co.", "Canna Beans", "Buds", "Solventless Solutions", "Not an LP", "Canna Almonds", and "Canna Berries". The trademarks include all rights to and content of the domain names, social media names, all literature and social media sites, branding and design material associated with the trademarks.

The Company's trademarks have been assigned an indefinite useful life, as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows and the Company's intention is to continue to utilize these trade names for the foreseeable future.

The website development for the shop section on the website has been amortized over its useful life of one year.

9. Loan Payable

On January 20, 2021, the Company received a loan of \$100,000 from Sutton Ventures Ltd., a significant shareholder of the Company. The loan is secured by all present and future acquired property of the Company and is payable on the earlier of:

- January 15, 2023; or
- The occurrence of an event of default.

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

9. Loan Payable (continued)

No interest will accrue on the outstanding balance, unless an event of default occurs, in which cases, interest will be deemed to have accrued on the outstanding balance from the date of advancement at a rate of 8.0% per annum, compounded annually, and will be payable at maturity.

The loan is recorded at fair value on initial recognition, which was determined to be \$84,642 using a discount rate of 8.5%, resulting in a total discount of \$15,358. As the loan was provided by a shareholder of the Company, the discount was recorded as an equity contribution. During the year ended February 28, 2022, accretion expense of \$6,835 (2021 - \$1,119) was recorded in the consolidated statements of loss and comprehensive loss.

10. Share Capital

Authorized share capital

The authorized capital of the Company consists of unlimited common shares without par value.

Share issuances

During the year ended February 28, 2022, the Company completed a reverse acquisition transaction and had issued 18,593,482 common shares with a fair value of \$3,904,631 (Note 11).

During the year ended February 28, 2021, the Company:

- a) Issued 10,000,000 common shares to founders of the Company under an asset assignment and assumption agreement (Note 8); and
- b) Completed a private placement of 2,500,000 common shares of the Company at a price of \$0.14 per common share for gross proceeds of \$350,000.

Escrow shares

As at February 28, 2022, there were 23,625,000 (2021 – Nil) common shares held in escrow. 26,250,000 common shares were held in escrow in connection with the reverse takeover transaction. 10% of the securities were released on closing of the transaction and the remaining balance is released in six equal tranches of 15% every six months thereafter.

Stock options

The Company has a stock option plan, last approved on July 29, 2021, which reserves an aggregate number of securities for issuance up to 10% of the number of the outstanding common shares. Under the stock option plan, stock options can be granted for a maximum term of ten years. Further, the exercise price shall not be less than the price of the Company's common shares on the date preceding the date of grant.

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

10. Share Capital (continued)

Stock option transactions are summarized as follows:

Stock Options	Number of Options	Weighted Average Exercise Price
Balance – February 29, 2020 and February 28, 2021	-	\$ -
Granted	1,140,000	0.20
Balance outstanding and exercisable – February 28, 2022	1,140,000	\$ 0.20

Stock options outstanding as at February 28, 2022:

Expiry Date	Number of Options	Weighted Average Exercise Price
December 14, 2026	1,140,000	\$ 0.20

During the year ended February 28, 2022, the Company granted 1,140,000 (2021 - Nil) stock options with a weighted average fair value of \$0.13 (2021 – N/A) per option. The Company recognized share-based payments expense of \$152,086 (2021 - \$Nil) for options granted and vested during the year.

Share-based payments expense is estimated using the following assumptions. The expected volatility assumption is based on comparable volatility of the Company's common share price on the CSE. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has not paid and does not anticipate paying dividends on its common shares.

The following weighted average assumptions were used for the Black-Scholes option-pricing model valuation of stock options vesting during the years:

	February 28, 2022	February 28, 2021
Risk-free interest rate	1.29%	-
Expected life of options	5 years	-
Expected annualized volatility	120%	-
Dividend rate	-	-
Forfeiture rate	-	-

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

10. Share Capital (continued)

Restricted share units (“RSUs”)

During the year ended February 28, 2022, the Company granted 3,237,500 (2021 – Nil) RSUs which have time-based vesting conditions with various maturities (minimum of one year). As the performance conditions of the RSU granted were not market-related, the fair value per RSU used to calculate compensation expense for the RSU granted is determined to be \$0.25, equal to the market price on the date of grant.

Vesting date	Number of RSUs
September 29, 2022	1,377,083
March 31, 2023	366,666
September 29, 2023	760,417
March 31, 2024	366,667
September 29, 2024	366,667
Balance	3,237,500

The Company recognized share-based payment expense of \$264,503 (2021 - \$Nil) for RSUs granted and vested during the year. \$557,372 of share-based payment expense will be recognized in future periods as the RSUs vest.

Warrants

In connection with the reverse takeover transaction, as described in Note 11, Entheos Capital Corp. completed a non-brokered private placement of 4,000,000 subscription receipts at a price of \$0.25 per subscription receipt for aggregate gross proceeds of \$1,000,000.

Immediately prior to closing the reverse takeover transaction, each subscription receipt issued pursuant to the private placement was converted into one unit of the Company comprising one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common shares of the Company at an exercise price of \$0.50 per share until September 29, 2023, following the extension of the term of the Warrants approved by the Company. The Warrants are also subject to accelerated expiry provisions, whereby, if the closing price of the Company's common shares exceeds \$0.75 per share for a period of ten consecutive trading days, at the Company's election, the 24-month period within which the Warrants are exercisable will be reduced and the holders of the Warrants will be entitled to exercise their Warrants for a period of 30 days commencing on the day the Company provides notice of same.

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

10. Share Capital (continued)

Warrant transactions are summarized as follows:

Warrants	Number of Warrants	Weighted Average Exercise Price
Balance – February 29, 2020 and February 28, 2021	-	\$ -
Granted	4,000,000	0.50
Balance outstanding and exercisable – February 28, 2022	4,000,000	\$ 0.50

Warrants outstanding as at February 28, 2022:

Expiry Date	Number of Warrants	Weighted Average Exercise Price
September 29, 2023	4,000,000	\$ 0.50

11. Reverse Takeover Transaction

On September 29, 2021, BC Bud and Entheos Capital Corp. completed a reverse takeover transaction as described in Note 1. For accounting purposes, the transaction has been accounted for as a reverse takeover transaction with BC Bud deemed to be the accounting acquirer and Entheos Capital Corp., the legal acquiror, deemed to be the accounting acquiree. At the date of acquisition, Entheos Capital Corp. did not meet the definition of a business as there were no substantive processes in place and as a result the acquisition is treated as an issuance of shares by BC Bud for the net assets of Entheos Capital Corp.

As a result, a reverse takeover listing expense has been recorded. This reflects the difference between the estimated fair value of the common shares deemed to have been issued to the Company's shareholders, less the fair value of the net assets acquired.

Consideration paid	
Deemed issuance of 18,593,482 common shares	\$ 3,904,631
Transaction costs	43,491
	<u>3,948,122</u>
Identifiable net assets acquired	
Cash and cash equivalents	1,947,455
GST receivable	3,799
Prepaid expenses	875
Accounts payable and accrued liabilities	(41,311)
	<u>1,910,818</u>
Listing expense	\$ 2,037,304

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

12. Related Party Transactions

Related parties include the directors, corporate officers, key management personnel, significant shareholders and enterprises that are controlled by these. This includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole and its subsidiaries.

During the years ended February 28, 2022 and 2021, the Company accrued the following amounts towards related parties:

	Years Ended February 28,	
	2022	2021
Consulting fees	\$ 82,500	\$ -
Share-based compensation	102,274	-
	\$ 184,774	\$ -

As at February 28, 2022, \$216,703 (2020 - \$Nil) of advances are paid to Tricanna Industries Inc., an entity whose CFO is a director of the Company.

During the year ended February 28, 2021, the Company issued a loan to Sutton Ventures Ltd., an entity controlled by the CEO of the Company (Note 9). As at February 28, 2022 the principal amount due on the loan was \$100,000 (2021 - \$100,000).

As at February 28, 2022, the Company had \$Nil (2021 - \$14) due to a significant shareholder for expenses paid on behalf of the Company. These amounts are non-interest bearing and due on demand.

As at February 28, 2020, the Company had \$5,811 (2021 - \$Nil) due to related parties included in accounts payable and accrued liabilities. These amounts are non-interest bearing and due on demand.

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

13. Income Taxes

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rate of 27% as follows:

	February 28, 2022	February 28, 2021
Loss for the year	\$ 2,857,823	\$ 56,112
Statutory income tax rate	27%	27%
Expected income tax (recovery)	(771,612)	(15,150)
Items not deductible for tax purposes	650,813	-
Origination and reversal of temporary differences	-	4,147
Unused tax losses and tax offsets not recognized	120,799	11,003
	\$ -	\$ -

The significant components of the Company's unrecognized temporary differences and unused tax losses that have not been included on the consolidated statements of financial position are as follows:

	February 28, 2022	February 28, 2021
Non-capital loss carry forward	\$ 4,073,737	\$ 57,273
Capital loss carry forward	2,660,993	-
Share issuance costs	6,900	-
Equipment	13,441	-
Intangible assets	8,500	-
Loan payable	(1,999)	(14,239)
	6,761,572	43,034
Valuation allowance	(6,761,572)	(43,034)
	\$ -	\$ -

As at February 28, 2022, the Company has approximately \$4,073,737 (2020 - \$57,273) of non-capital losses in Canada that may be used to offset future taxable income, expiring between 2026 and 2042.

14. Capital Management

The Company's capital management policy is to maintain a strong but flexible capital structure that optimizes the cost of capital, creditor and market confidence while sustaining the future development of the business.

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

14. Capital Management (continued)

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Company's capital structure includes shareholders' equity. In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage current and working capital requirements. The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year ended February 28, 2022.

15. Financial Instruments

Financial instruments

The Company classifies its cash and cash equivalents, advances and term deposits as fair value through profit or loss measured at level 1 inputs of the fair value hierarchy. Accounts payable and accrued liabilities and due to shareholder are carried at amortized cost. The Company considers that the carrying amount of these financial assets and liabilities measured at amortized cost to approximate their fair value due to the short-term nature of the financial instruments. Loan payable is carried at amortized cost, measured at level 2 inputs of the fair value hierarchy.

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. Although the Company believes its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with a chartered bank. The Company considers credit risk with respect of these amounts to be low.

Cash and cash equivalents comprise of cash and highly liquid investments having maturity dates of three months or less, which are readily convertible into a known amount of cash at any time, and are subject to an insignificant risk to changes in their fair value. Cash and cash equivalents at February 28, 2022 consist of \$1,403,019 (2021 - \$340,429).

The BC Bud Corporation (formerly Entheos Capital Corp.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended February 28, 2022 and 2021

15. Financial Instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As at February 28, 2022, the Company had working capital of \$1,710,250 (2021 – \$324,136). All of the Company's current liabilities are due within 90 days of February 28, 2022.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. The Company is not currently exposed to any significant interest rate foreign currency risk or other price risk.

16. Segmented Information

The Company's operations comprise a single reporting segment, being partnership agreements with cannabis producers. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements for expenses and loss for the period also represent segmented amounts. All of the Company's operations and assets are in Canada.

17. Supplemental Cash Flow Disclosure

	Years Ended February 28,	
	2022	2021
Taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Common shares issued for intangible asset	\$ -	\$ 1,340
