

**The BC Bud Corporation**

**Condensed Consolidated Interim Financial Statements  
(Unaudited)**

**For the six months ended August 31, 2023 and 2022  
(Expressed in Canadian Dollars)**

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

**The BC Bud Corporation**

Condensed Consolidated Interim Financial Statements – August 31, 2023

(Unaudited – expressed in Canadian Dollars)

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**Notice to Reader: No Auditor Review of Condensed Consolidated 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 condensed consolidated interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

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.

**The BC Bud Corporation**

Condensed Consolidated Statements of Financial Position  
(Unaudited - Expressed in Canadian Dollars)

	Notes	August 31, 2023	February 28, 2023
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	135,588 \$	311,314
Accounts receivable		562,876	565,521
Prepaid expenses		40,899	-
Other receivable		58,695	68,897
Advances	4	835,102	529,387
Inventory	4	123,057	106,057
		<u>1,756,217</u>	<u>1,581,176</u>
Machinery and equipment	5	38,868	45,727
Intangible assets	6	2,007	2,007
		<u>1,797,092 \$</u>	<u>1,628,910</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		422,397 \$	265,315
Loan payable	7	215,849	100,281
		<u>638,246</u>	<u>365,596</u>
<b>Shareholders' equity</b>			
Share capital	8	5,044,346	4,919,204
Reserves	8	466,205	353,455
Deficit		(4,351,705)	(4,009,345)
		<u>1,158,846</u>	<u>1,263,314</u>
		<u>1,797,092 \$</u>	<u>1,628,910</u>

**On behalf of the Board:**

*"Brayden Sutton"*

Director

*"Joshua Taylor"*

Director

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

## The BC Bud Corporation

Condensed Consolidated Statements of Loss and Comprehensive Loss  
(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended		Six Months Ended	
		August 31		August 31	
		2023	2022	2023	2022
<b>Revenue</b>		262,213	295,247	459,792	620,084
Cost of sales		209,985	257,568	328,081	791,708
<b>Gross margin</b>		52,228	37,679	131,711	(171,624)
<b>Operating expenses</b>					
Advertising and promotion		44,755	4,259	112,305	51,781
Consulting fees	10	78,420	96,500	123,420	164,386
Share-based compensation	10	12,406	31,287	39,392	174,331
Office and administration		4,854	2,474	21,671	4,348
Professional fees		87,186	46,549	149,871	69,937
Regulatory and transfer agent fees		6,731	32,904	11,408	43,075
Insurance		-	32,175	-	32,175
Amortization and Depreciation	5	3,429	3,430	6,859	6,859
Supplies		-	-	-	200
Research and development		-	-	-	754
Trademark registration		3,000	-	3,000	-
Interest		440	-	440	-
		241,221	249,577	468,366	547,846
Net operating loss		(188,993)	(211,897)	(336,655)	(719,470)
<b>Other expenses (income)</b>					
Other income		-	-	-	(3,326)
Other expenses	9	-	412	-	447
Foreign exchange		577	-	577	-
Accretion expense		3,092	1,918	5,128	3,798
		3,669	2,330	5,705	918
<b>Net loss for the period</b>		<b>\$(192,662)</b>	<b>\$(214,227)</b>	<b>\$(342,360)</b>	<b>\$(720,388)</b>
<b>Basic and diluted loss per common share</b>					
		\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)
<b>Weighted average shares outstanding</b>					
		55,244,704	44,843,482	54,352,787	44,843,482

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

**The BC Bud Corporation**

Condensed Consolidated Statements of Changes in Shareholders' Equity  
(Unaudited - Expressed in Canadian Dollars)

	Share Capital		Stock Options \$	Reserves Restricted Stock Units \$	Other \$	Deficit \$	Total \$
	Number Outstanding	Amount \$					
<b>Balance, February 28, 2022</b>	44,843,482	4,271,329	-	-	-	(2,895,624)	1,375,705
Net loss for the period	-	-	-	-	-	(795,170)	(795,170)
<b>Balance, August 31, 2022</b>	44,843,482	4,271,329	-	-	-	(3,690,794)	580,535
<b>Balance, February 28, 2023</b>	53,470,565	4,919,204	193,345	69,715	90,395	(4,009,345)	1,263,314
Share Issue for private placement	2,646,667	125,141	-	-	73,359	-	198,500
Share-based compensation	-	-	14,580	24,812	-	-	39,392
Net loss for the period	-	-	-	-	-	(342,360)	(342,360)
<b>Balance, August 31, 2023</b>	56,117,232	5,044,346	207,925	94,527	163,754	(4,351,705)	1,158,846

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

**The BC Bud Corporation**

## Condensed Consolidated Statement of Cash Flow

(Unaudited – expressed in Canadian Dollars)

	<b>Six Months Ended</b>	
	<b>August 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>		
Net loss for the period	(342,360)	(720,388)
Items not involving cash:		
Accretion expense	5,128	-
Amortization and depreciation	6,859	6,859
Share-based compensation	39,392	174,331
Change in working capital:		
Accounts receivable	2,645	(390,415)
Other receivables	10,202	-
Prepaid expenses	(40,899)	23,660
Advances	(305,715)	53
Inventory	(17,000)	(181,963)
Accounts payable and accrued liabilities	157,082	(25,220)
<b>Cash used in operating activities</b>	<b>(484,667)</b>	<b>1,113,083)</b>
Issuance of warrants	73,359	-
Accrued Interest	440	3,798
Proceeds received from shareholder loans	60,000	-
Issuance of private placement	125,142	-
Proceeds from loans	50,000	-
<b>Cash flow from financing activities</b>	<b>308,941</b>	<b>3,798</b>
<b>Change in cash and cash equivalents</b>	<b>(175,726)</b>	<b>(1,109,284)</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>311,314</b>	<b>1,417,950</b>
<b>Cash and cash equivalents – end of period</b>	<b>135,588</b>	<b>308,667</b>

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

## **The BC Bud Corporation**

Condensed Consolidated Interim Financial Statements – August 31, 2023

(Unaudited – expressed in Canadian Dollars)

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### **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.

Company is developing premium recreational cannabis products and brands in the cannabis industry through licensing, contract manufacturing and joint venture agreements with licensed producers under the Cannabis Act. BCBC is a not a licensed producer. Its active offerings in branded products will include The BC Bud Co flower products, edibles under the brand ‘Canna Beans’ and “Canna Almonds”, concentrates sold as ‘Solventless Solutions’, and ‘Buds’ beverages line and select lifestyle apparel.

BCBC is a house of brands that strategically aligns with licensed cannabis producers to contract manufacture a variety of cannabis products in different product categories. The manufacturers are licensed under the Cannabis Act, (together with the regulations made thereunder from time to time, the “Cannabis Act”). Through their strategic partnership agreements with licensed manufacturers, the Company will bring to market specialized flower, concentrates, edibles, beverages, and apparels.

These condensed consolidated interim 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 condensed consolidated interim 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 \$342,360 for six months ended August 31, 2023 (August 31, 2022 - \$720,389) and had an accumulated deficit of \$4,351,705 as of August 31, 2023 (February 28, 2023 - \$4,009,345). 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

Condensed Consolidated Interim Financial Statements – August 31, 2023

(Unaudited – expressed in Canadian Dollars)

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### 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 condensed interim financial statements are unaudited and have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

The accounting policies and methods of computation applied by the Company in these condensed interim financial statements are the same as those applied in the Company’s annual financial statements for the year ended February 28, 2023.

#### Basis of presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, these condensed consolidated interim 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 Board of Directors approved the condensed consolidated interim financial statements for issue on October 30, 2023.

#### Basis of consolidation

These condensed consolidated interim 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:

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

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



## **The BC Bud Corporation**

Condensed Consolidated Interim Financial Statements – August 31, 2023

(Unaudited – expressed in Canadian Dollars)

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### **2. Basis of Preparation (continued)**

#### **Functional and presentation currency**

These condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities is as follows:

#### Revenue

The Company prepares its consolidated financial statements in accordance with IFRS as issued by the IASB. The Company reports the revenues of its wholly owned subsidiaries. Revenue is recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Here is a list of Products sold for revenue and flow through/distribution partners involved with each product:

Dried Flower (Tricanna Industries)  
Pre Rolls (Tricanna Industries)  
Infused Pre Rolls (Tricanna Industries/HYTN/Cedar Organics)  
Concentrates (HYTN/Cedar Organics)  
Vape Cartridge (Peak Processing/Cedar Organics)  
Edibles (Black Rose Organics)

Supplies are purchased and sent to create and manufacture end facing consumer products. Revenue recognized with Purchase Order.

## **The BC Bud Corporation**

Condensed Consolidated Interim Financial Statements – August 31, 2023

(Unaudited – expressed in Canadian Dollars)

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### **3. Significant Accounting Policies (continued)**

#### Flower

Product identified, tested and confirmed for purchase. Funds sent to Tricanna (processing partner and license holder) or directly to Dunesberry (Only cultivator for BCBC), 50% on purchase 50% on delivery. This product now sits in inventory for both pack and pick for Purchase Orders. BCBC then takes said product and applies to different provincial and private distributors to list the SKU for purchase to licensed retail locations. Once the province or private distributor approves product, a PO (purchase order) is cut. With the exception of medical and direct delivery in BC, all PO's are on consignment from 15-60 days depending on the market/province. BC is 30 days. Ontario is 60 days. Once payment is issued to Tricanna, the processing fees (packaging, weighing, testing, etc) are deducted from our PO and remaining funds go to BCBC for reconciliation. As more Purchase Orders are fulfilled, processing fees and packaging fees are taken off rather than BCBC paying the processing fees for a large packaging run at once. For example, Tricanna will pack 10,000 units for a product that has been given a purchase order of 2000 units. Tricanna will keep the 8000 as brite stock inventory, sell the 2000 and collect the processing fees of the 2000 and continue to collect as the 10k inventory is sold through to different provinces/distributors.

#### Concentrates/Vapes

Outdoor cultivated (Dunesberry Farms) biomass is identified, purchased and sent for extraction (CN Pharma Group) where two products are the end result: Terp Sauce and Diamonds. Diamonds we sold B2B and used as an input for an additional product. Terp sauce is then sent to Peak Processing, where they blend it with distillate (Nextleaf purchased), fill the vape cartridges, package, excise stamp and prepare for a certain provincial purchase order and keep "brite stock inventory" for future orders. Peak Processing charges BCBC upfront for blending, processing, packaging, distribution vs Tricanna taking the processing fees per unit off when sold.

#### Edibles

Inputs (coffee beans, almonds, chocolate and distillate (THC)) purchased and sent to facility. Packaging (box, clam shell, mylar bag, labels) purchased and sent to facility. Black Rose does a larger manufacturing run, where bulk chocolates are stored alongside "brite stock" bulk for fulfilling weekly purchase orders. In summary, the Company's revenues are primarily derived the purchase and subsequent resale of inventory and finished products

## **The BC Bud Corporation**

Condensed Consolidated Interim Financial Statements – August 31, 2023

(Unaudited – expressed in Canadian Dollars)

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### **3. Significant Accounting Policies (continued)**

#### Going concern

The preparation of the condensed consolidated interim financial statements requires management to make judgments regarding going concern of the Company. The Company's continuation as a going concern is dependent upon the Company to successfully obtain debt or equity financings and harvest its cannabis and earn revenues from the sale of cannabis related derivatives to meet current and future obligations and ultimately achieve profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

#### Asset acquisition versus business combination

Management had to apply judgment with respect to whether the acquisition of Entheos Capital Corp. (as described in Note 9) 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.

#### 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 indication 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 condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities is as follows:

## **The BC Bud Corporation**

Condensed Consolidated Interim Financial Statements – August 31, 2023

(Unaudited – expressed in Canadian Dollars)

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### **3. Significant Accounting Policies (continued)**

#### 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.

#### *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.

## **The BC Bud Corporation**

Condensed Consolidated Interim Financial Statements – August 31, 2023

(Unaudited – expressed in Canadian Dollars)

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### **3. Significant Accounting Policies (continued)**

#### *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**

Condensed Consolidated Interim Financial Statements – August 31, 2023

(Unaudited – expressed in Canadian Dollars)

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### **3. Significant Accounting Policies (continued)**

#### **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.

#### **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 packing items.

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 August 31, 2023, 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 six months ended August 31, 2023.

## **The BC Bud Corporation**

Condensed Consolidated Interim Financial Statements – August 31, 2023

(Unaudited – expressed in Canadian Dollars)

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### **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**

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(Unaudited – expressed in Canadian Dollars)

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### **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 8. 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.

#### **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 condensed consolidated interim financial statements for expenses and loss for the period also represent segmented amounts. All of the Company’s operations and assets are in Canada.

#### **Loss per share**

The Company calculates basic (loss) earnings per share by dividing net (loss) income by the weighted average number of common shares outstanding during the period. Diluted (loss) earnings per share is determined by adjusting profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise convertible debentures, RSU, DSU, warrants and share options issued.



## **The BC Bud Corporation**

Condensed Consolidated Interim Financial Statements – August 31, 2023

(Unaudited – expressed in Canadian Dollars)

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### **3. Significant Accounting Policies (continued)**

#### **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 condensed consolidated interim 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.

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.

#### **Revenue**

The Company generates revenue primarily from the sale of cannabis and cannabis related products. Revenue from the sale of cannabis is generally recognized when control over the goods has been transferred to the customer. For bill-and-hold arrangements, revenue is recognized before delivery but only upon transfer of control of the good to the customer.

Control is transferred to the customer when the substance of the bill-and-hold arrangement is substantive, the Company cannot sell the goods to another customer, the goods can be identified separately and are ready for physical transfer to the customer.

#### **Cost of Goods sold**

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 products and packing materials.

## The BC Bud Corporation

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(Unaudited – expressed in Canadian Dollars)

### 4. Advances and Inventory

#### Advances

Advances relate to cash advances paid to vendors for the purchase of products such as flowers, edibles, concentrates and beverages held in trust. Advance amount as of August 31, 2023, is \$835,102 (February 28, 2023 - \$529,387).

#### Inventory

Inventory is comprised of packing materials:

	August 31, 2023	February 28, 2023
Raw materials – packaging	122,617	105,617
Products	440	440
Balance, end of period	123,057	106,057

### 5. Machinery and Equipment

Cost	2023	2022
Balance, February 28	68,591	68,591
<b>Balance, August 31</b>	<b>68,591</b>	<b>68,591</b>
<b>Accumulated depreciation</b>		
Balance, February 28	22,864	9,145
Additions	6,859	6,859
<b>Balance, August 31</b>	<b>29,723</b>	<b>16,005</b>
<b>Net book value, February 28</b>	<b>45,727</b>	<b>59,446</b>
<b>Net book value, August 31</b>	<b>38,868</b>	<b>52,586</b>

## The BC Bud Corporation

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### 6. Intangible Assets

<b>Cost</b>	<b>Website Development</b>	<b>Trademarks</b>	<b>Total</b>
Balance, February 28, 2023	\$ 8,500	\$ 2,007	\$ 10,507
<b>Balance, August 31, 2023</b>	<b>\$ 8,500</b>	<b>\$ 2,007</b>	<b>\$ 10,507</b>
<b>Accumulated depreciation</b>			
Balance, February 28, 2023	\$ 8,500	\$ -	\$ 8,500
<b>Balance, August 31, 2023</b>	<b>\$ 8,500</b>	<b>\$ -</b>	<b>\$ 8,500</b>
Net book value, February 28, 2023	\$ -	\$ 2,007	\$ 2,007
<b>Net book value, August 31, 2023</b>	<b>\$ -</b>	<b>\$ 2,007</b>	<b>\$ 2,007</b>

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 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 August 31, 2023, and hence no amortization was taken during the current fiscal period. The Company’s website development costs are amortized on a straight-line basis over the estimated useful life of one year.

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

### 7. 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**

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(Unaudited – expressed in Canadian Dollars)

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### **7. Loan Payable (continued)**

No interest will accrue on the outstanding balance, unless an event of default occurs, in which case 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 six months ended August 31, 2023, accretion expense of \$5,128 (2022 - \$1,918) was recorded in the condensed consolidated interim statements of loss and comprehensive loss.

Additionally, the company has entered into an amending agreement with Sutton Ventures Ltd., a private entity owned and controlled by chief executive officer Brayden Sutton, to increase the amount of the secured loan from \$100,000 to \$150,000. As of August 31, 2023, the Company is in default of the loan, which is now payable on demand.

On August 4, 2023, the Company received a loan of \$60,000 from Cybin Therapeutics Inc. Cybin Therapeutics Inc is a private entity in which both Brayden Sutton, CEO and director, and Josh Taylor, president and director, are controlling shareholders. The loan bears interest at a rate of 8 per cent per annum, payable upon maturity. The loan is secured by all present and future acquired property of the Company and is payable on the earlier of:

- a) July 30, 2024; or
- b) The occurrence of an event of default.

### **8. Share Capital**

#### **Authorized share capital**

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

#### **Share issuances**

2,646,667 shares were issued at \$0.075 per share between March 1, 2023 and August 31, 2023 for gross proceeds of \$198,500, bringing the total number of shares outstanding to 56,117,232.

#### **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 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.

On March 12, 2023, Company has approved 150,000 options to be issued and granted to Daniel Southan-Dwyer, expiring March 12, 2028, with a \$0.15 exercise price.

**The BC Bud Corporation**

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**8. Share Capital (continued)**

Stock option transactions are summarized as follows:

<b>Stock Options</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Balance – February 28, 2023	1,840,000	0.18
Granted	150,000	0.15
Balance outstanding and exercisable – August 31, 2023	1,990,000	0.18

Stock options outstanding as at August 31, 2023:

<b>Expiry Date</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
December 14, 2026	1,140,000	0.20
February 3, 2028	700,000	0.15
March 12, 2028	150,000	0.15

The Company recognized share-based payments expense of \$14,580 (2022 - \$Nil) for options granted and vested during the period.

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.

	<b>August 31, 2023</b>	<b>February 28, 2023</b>
Risk-free interest rate	3.19%	3.79%
Expected life of options	5 years	5 years
Expected annualized volatility	78.24%	67.18%
Dividend rate	-	-
Forfeiture rate	-	-

## The BC Bud Corporation

Condensed Consolidated Interim Financial Statements – August 31, 2023

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### 8. Share Capital (continued)

#### Restricted share units (“RSUs”)

During six months ended August 31, 2023, the Company granted \$Nil (2022 – 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.

On September 29, 2022, 1,377,083 RSUs vested and were issued at a value of \$0.25 per share.

On January 16, 2023, 1,466,667 RSUs were cancelled.

<b>Vesting date</b>	<b>Number of RSUs</b>
September 29, 2022	1,377,083
September 29, 2023	393,750
Balance	1,770,833

The Company recognized share-based payment expense of \$24,812 (2022 - \$143,044) for RSUs accrued during six months ended August 31, 2023. \$3,910 of share-based payment expense will be recognized in future periods as the RSUs vest.

#### Escrow shares

As at August 31, 2023, there were 13,211,250 (February 28, 2023 – 17,615,000) common shares held in escrow. 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.

#### Warrants

In connection with the reverse takeover transaction, as described in Note 9, 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

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### 8. Share Capital (continued)

The Company closed a non-brokered private placement generating gross proceeds of \$340,000 through the sale of an aggregate of 6.8 million units at a price of five cents per unit. Each unit comprised one common share and one share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of 15 cents per share until February 2, 2025. All securities issuable in the placement are subject to a four-month hold period expiring on June 3, 2023, in accordance with applicable securities laws.

As of August 2, 2023, and August 25, 2023, a total of \$198,500 was raised through the sale of an aggregate of 2,646,667 units at a price of 7.5 cents per unit. Each unit comprised one common share and one share purchase warrant. Each whole warrant entitles the holder to purchase a further common share at a price of 15 cents per share for a three-year period.

Warrant transactions are summarized as follows:

<b>Warrants</b>	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Balance – February 28, 2023	10,800,000	0.28
Granted	2,646,667	0.15
Balance outstanding and exercisable – August 31, 2023	13,446,667	0.25

Warrants outstanding as at August 31, 2023:

<b>Expiry Date</b>	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
September 29, 2023	4,000,000	0.50
February 2, 2025	6,800,000	0.15
August 4, 2026	700,000	0.15
August 25, 2026	1,946,667	0.15

### 9. 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.

## The BC Bud Corporation

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### 9. Reverse Takeover Transaction (continued)

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

### 10. 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 six months ended August 31, 2023 and 2022, the Company accrued the following amounts towards related parties:

		<b>August 31,</b>	
		<b>2023</b>	<b>2022</b>
<b>Consulting fees</b>			
TJT Ventures Ltd. (Management)	\$	52,500	\$ 45,000
Brayden Sutton (CEO)		52,500	30,000
Emily Graham		-	22,500
	\$	105,000	\$ 97,500
<b>Share-based compensation</b>			
		<b>2023</b>	<b>2022</b>
Daniel Southan-Dwyer	\$	14,580	\$ -
Dayna Lange		8,271	-
Brian Taylor (Director)		8,271	-
Justin Chorbajian (Director)		8,271	-
		39,392	-
<b>Inventory purchase</b>			
		<b>2023</b>	<b>2022</b>
Tricanna Industries Inc (Dayna Lange)	\$	138,165	\$ 490,355



## **The BC Bud Corporation**

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### **10 Related Party Transactions (continued)**

During the year ended February 28, 2021, the Company received a loan from Sutton Ventures Ltd., an entity controlled by the CEO of the Company (Note 7). As at August 31, 2023 the principal amount due on the loan was \$150,000 (February 28, 2023 - \$100,000).

In August 4, 2023, the Company received a loan of \$60,000 from Cybin Therapeutics Inc. Cybin Therapeutics Inc is a private entity in which both Brayden Sutton, CEO and director, and Josh Taylor, president, and director, are controlling shareholder

As of August 31, 2023, the Company had \$1,329 due to related parties (February 28, 2023 - \$Nil) included in accounts payable and accrued liabilities.

### **11 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 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 six months ended August 31, 2023.

### **12 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.

## **The BC Bud Corporation**

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(Unaudited – expressed in Canadian Dollars)

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### **12 Financial Instruments (continued)**

#### **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. As of August 31, 2023 company has cash and cash equivalents of \$135,588 (February 28, 2023 - \$311,314).

#### **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 of August 31, 2023, the Company had working capital of \$1,117,971 (February 28, 2023 – \$1,215,580). All of the Company's current liabilities are due within 90 days of August 31, 2023.

#### **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.

### **13 Subsequent Events**

On October 16, 2023, Dayna Lange has resigned from the board of directors of The B.C. Bud Corp., effective immediately.