

# **Ascent Industries Corp**

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

**For the four months ended September 30, 2018  
and the three months ended August 31, 2017  
(In Canadian Dollars)**

#### NOTICE TO READERS

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 the condensed consolidated interim financial statements have not been reviewed by an auditor. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed consolidated interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of unaudited condensed consolidated interim financial statements and are in accordance with International Accounting Standard 34 - Interim Financial Reporting. The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim 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.

**ASCENT INDUSTRIES CORP****Condensed Interim Consolidated Statements of Financial Position  
(Unaudited)**

(Expressed in Canadian Dollars)

	Notes	September 30, 2018	May 31, 2018
<b>Assets</b>			
Current assets:			
Cash and cash equivalents		\$ 12,290,797	\$ 2,587,436
Receivables	3	726,033	1,523,111
Prepaid expenses	4	1,204,165	533,460
Deposits for properties	5	5,320,000	1,050,000
Investments	6	385,149	360,000
Inventory	7	1,350,931	1,080,681
Biological assets	7	-	-
Total current assets		<u>21,277,075</u>	<u>7,134,688</u>
Long-term assets			
Construction in progress	8	4,011,944	1,030,841
Property, plant & equipment	8	16,986,207	16,756,082
Intangible assets	9	8,368,295	6,505,693
Goodwill	10	1,573,000	-
Total assets		<u>\$ 52,216,522</u>	<u>\$ 31,427,304</u>
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Accounts payable, payroll and accrued liabilities		\$ 2,449,973	\$ 2,888,291
Current portion of finance leases	11	12,518	30,532
Short term loan payable	12	1,737,608	1,746,199
Derivative liability	13	1,863,806	875,695
Contingent consideration	10	1,000,000	-
Total current liabilities		<u>7,063,905</u>	<u>5,540,717</u>
Long-term liabilities			
Finance leases	11	6,160	11,196
Loans payable	13	3,872,116	3,821,278
Total liabilities		<u>10,942,180</u>	<u>9,373,191</u>
Shareholders' equity			
Share capital	14, 20	69,054,129	31,576,460
Common shares to be issued	14	548,597	8,673,862
Contributed surplus		1,572,639	1,572,639
Share based compensation reserve	14	1,181,480	507,151
Accumulated other comprehensive income		(55,917)	23,671
Deficit		(31,026,587)	(20,299,670)
Total equity		<u>41,274,340</u>	<u>22,054,113</u>
Total liabilities and equity		<u>\$ 52,216,522</u>	<u>\$ 31,427,304</u>

Commitments and contingencies (Note 15)

Subsequent events (Note 21)

"Blair Jordan"

Blair Jordan, Director

"Mark T. Brown"

Mark T. Brown, Director

**ASCENT INDUSTRIES CORP****Condensed Interim Consolidated Statements of Operations****For the Four Months Ended September 20, 2018 and Three Months Ended August 31, 2017****(Unaudited)**

(Expressed in Canadian Dollars)

Notes	Four months Ended September 30, 2018	Three months Ended August 31, 2017
Revenue:		
Sales	\$ 789,253	\$ 2,595,945
Cost of sales	649,166	2,096,275
Gross margin before fair value adjustments	<u>140,087</u>	<u>499,670</u>
Fair value adjustment on growth of biological assets	-	527,485
Gross margin after fair value adjustments	<u>140,087</u>	<u>(27,815)</u>
Expenses:		
General and administration	3,697,033	780,433
Selling and marketing	935,843	329,503
Research & development	121,370	31,105
Pre-production costs	935,982	31,304
Share based compensation	658,646	-
Depreciation & amortization	830,772	256,030
	<u>7,179,646</u>	<u>1,428,375</u>
Loss from operations	<u>(7,039,559)</u>	<u>(1,456,190)</u>
Other (income) expenses		
Interest and other	189,872	83,375
Listing expense 20	1,625,219	-
Loss on inventory	804,491	-
Loss on derivative liability 13	3,926,677	1,107,438
Accretion expense	50,838	44,680
	<u>6,597,097</u>	<u>1,235,493</u>
Net loss for the period	<u>(13,636,656)</u>	<u>(2,691,683)</u>
Comprehensive Income		
Currency translation adjustment	<u>(55,917)</u>	<u>(67,809)</u>
Comprehensive Loss	<u>\$ (13,692,573)</u>	<u>\$ (2,759,492)</u>
Basic and diluted loss per share	<u>\$ (0.05)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding, diluted	<u>278,209,888</u>	<u>171,589,735</u>

**ASCENT INDUSTRIES CORP****Condensed Interim Consolidated Statements of Cash Flows****For the Four Months Ended September 30, 2018 and Three Months Ended August 31, 2017  
(Unaudited)**

	Four months Ended September 30, 2018	Three months Ended August 31, 2017
Cash provided by (used for):		
Operating activities:		
Net income/(loss) for the period	\$ (13,789,884)	\$ (2,691,683)
Items not affecting cash:		
Depreciation & amortization	830,772	256,030
Accretion expense	50,838	44,680
Loss on disposal of Agrima equipment	-	121,601
Shares issued as consideration	126,200	-
Shares issued as finders fees	204,163	-
Share based compensation - stock options	674,329	-
Loss on derivative liabilities	3,926,677	1,107,438
Change in fair value of biological assets	-	527,485
Listing expense	1,625,219	-
Changes in non-cash working capital balances:		
Receivables	151,076	(42,888)
Prepaid expenses	(248,498)	28,096
Inventory	(316,140)	92,779
Biological assets	-	(527,485)
Accounts payable, payroll and accrued liabilities	397,323	(44,528)
Cash used in operating activities	<u>(6,367,925)</u>	<u>(1,128,475)</u>
Investing activities:		
Deposit for properties	(3,120,000)	-
Cash acquired on acquisition of subsidiary	2,189,996	-
Purchase property, plant and equipment	(5,616,329)	(2,032,199)
Purchase of intangible assets	(631,725)	-
Purchase of investments	(16,502)	-
Cash used in investing activities	<u>(7,194,560)</u>	<u>(2,032,199)</u>
Financing activities:		
Warrants exercised	2,282,914	-
Units & shares issued	22,560,338	3,261,265
Units & share issue costs	(1,499,904)	-
Payments on finance lease	(23,050)	-
Payments on long-term debt	(8,591)	-
Proceeds on long-term debt	-	44,680
Investment in associates	(98,000)	-
Cash provided by financing activities	<u>23,213,707</u>	<u>3,305,945</u>
Increase in cash and cash equivalents	9,651,222	145,271
Effect of exchange rate changes on cash	40,193	81,268
Cash and cash equivalents, beginning of period	<u>2,587,436</u>	<u>865,094</u>
Cash and cash equivalents, end of period	<u>\$ 12,278,851</u>	<u>\$ 1,091,633</u>

**ASCENT INDUSTRIES CORP**
**Condensed Interim Consolidated Statement of Changes in Shareholders' Equity  
For the Four Months Ended September 30, 2018 and the Three Months ended August 31, 2017  
(Unaudited)**

(Expressed in Canadian Dollars)

	Common Shares		Common shares to be issued \$	Share-based reserve	Warrant reserve	Contributed Surplus	Accumulated other comprehensive loss	Deficit	Shareholders' Equity
	Number	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, May 31, 2017</b>	169,112,763	15,594,284	182,250	-	-	1,572,639	-	(6,527,350)	10,821,823
Exercise of warrants (for private placement A)	2,866,460	386,972	(182,250)	-	-	-	-	-	204,722
Shares cancelled for private placement A	(133,333)	(20,000)	-	-	-	-	-	-	(20,000)
Shares issued for private placement B	166,667	25,000	-	-	-	-	-	-	25,000
Shares issued for services	310,400	77,600	-	-	-	-	-	-	77,600
Shares to be issued for exercise of warrants	-	-	41,838	-	-	-	-	-	41,838
Shares to be issued for private placement C	-	-	3,127,497	-	-	-	-	-	3,127,497
Foreign currency reserve	-	-	-	-	-	-	(67,809)	-	(67,809)
Net loss for the period	-	-	-	-	-	-	-	(2,691,683)	(2,691,683)
<b>Balance, August 31, 2017</b>	172,322,957	16,063,857	3,169,335	-	-	1,572,639	(67,809)	(9,219,033)	11,518,988
Exercise of warrants (for private placement A)	400,000	54,000	(21,005)	-	-	-	-	-	32,995
Exercise of warrants (for private placement B)	11,962,436	2,990,609	(20,833)	-	-	-	-	-	2,969,776
Shares issued for private placement C	25,516,613	10,206,645	(3,127,497)	-	-	-	-	-	7,079,148
Shares issued for equipment	1,280,000	512,000	-	-	-	-	-	-	512,000
Shares issued for finders fees	999,254	399,702	-	-	-	-	-	-	399,702
Shares issued for services	1,356,445	337,756	-	-	-	-	-	-	337,756
Shares issued for licenses	3,090,240	772,560	-	-	-	-	-	-	772,560
Shares issued for the purchase of software	804,188	321,675	-	-	-	-	-	-	321,675
Shares issued as compensation	950,882	380,353	-	-	-	-	-	-	380,353
Share issuance costs	-	(462,696)	-	-	-	-	-	-	(462,696)
Shares to be issued for private placement D	-	-	8,673,862	-	-	-	-	-	8,673,862
Share based compensation	-	-	-	507,151	-	-	-	-	507,151
Foreign currency reserve	-	-	-	-	-	-	91,480	-	91,480
Net loss for the period	-	-	-	-	-	-	-	(11,080,637)	(11,080,637)
<b>Balance, May 31, 2018</b>	218,683,015	31,576,460	8,673,862	507,151	-	1,572,639	23,671	(20,299,670)	22,054,113
Exercise of warrants (for private placement B)	3,666,666	916,667	-	-	-	-	-	-	916,667
Units issued as a deposit	2,777,778	1,000,000	-	-	-	-	-	-	1,000,000
Shares issued as a deposit	416,667	150,000	-	-	-	-	-	-	150,000
Units issued for services	205,556	80,000	-	-	-	-	-	-	80,000
Shares issued for services	123,834	46,200	-	-	-	-	-	-	46,200
Shares issued through First Circle acquisition	562,500	225,000	250,000	-	-	-	-	-	475,000
Units issued for private placement D	30,000,000	12,000,000	(8,673,862)	-	-	-	-	-	3,326,138
Units issued for finders fees	510,407	204,163	-	-	-	-	-	-	204,163
Units issued through public offering	48,085,500	19,234,200	-	-	-	-	-	-	19,234,200
Units issued through Paget Mineral acquisition	9,542,643	3,796,748	-	-	-	-	-	-	3,796,748
Exercise of warrants (for private placement D)	1,879,000	1,067,650	298,597	-	-	-	-	-	1,366,247
Share issuance costs	-	(1,855,937)	-	-	374,500	-	-	-	(1,481,437)
Share based compensation	-	-	-	674,329	-	-	-	-	674,329
Foreign currency reserve	-	-	-	-	-	-	(79,588)	-	(79,588)
Net loss for the period	-	-	-	-	-	-	-	(13,636,656)	(13,636,656)
<b>Balance, September 30, 2018</b>	316,453,566	\$ 68,441,151	\$ 548,597	\$ 1,181,480	\$ 374,500	\$ 1,572,639	\$ (55,917)	\$(33,936,326)	\$ 38,126,124

# ASCENT INDUSTRIES CORP

Notes to the Condensed Interim Consolidated Financial Statements  
For the Four Months Ended September 30, 2018 and the Three Months Ended August 31, 2017  
(Unaudited)  
(Expressed in Canadian Dollars)

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## 1. Nature of Operations

Ascent Industries Corp. (“Ascent”), was incorporated under the *Business Corporations Act* (British Columbia) on May 30, 2013. Ascent’s head office and principal address is located at 260 – 22529 Lougheed Hwy, Maple Ridge, BC V2X 0T5 and the registered records office address is located at Suite 1700 – 666 Burrard Street, Vancouver, BC V6C 2X8. In July 2018, Ascent acquired Paget Minerals Corp. (“Paget”), a company listed on the NEX board of the TSX Venture Exchange. The transaction was closed by way of an amalgamation between Paget and Ascent, with the amalgamated entity continuing the business of Ascent under the name “Ascent Industries Corp”. For accounting purposes, the acquisition of Paget was treated as a reverse take over acquisition as the shareholders of Ascent acquired control of the consolidated entity (Note 20).

The condensed interim consolidated financial statements as at and for the four months ended September 30, 2018, and for the three months ended August 31, 2017, include Ascent and its subsidiaries (together referred to as the “Company”) and the Company’s interest in affiliated companies.

The Company operates in the USA through wholly owned subsidiaries in Nevada and Oregon with licenses to produce, process and distribute cannabis and cannabis oils. On July 26, 2017, the Oregon Liquor Control Commission granted a Marijuana Wholesaler License and a Marijuana Processor License to Luff Enterprises, LLC the Company’s wholly owned Oregon subsidiary. On November 21, 2017 the State of Nevada, Department of Taxation granted to Luff Enterprises NV, Inc Certification as a Medical Marijuana Production Establishment and Certification as a Medical Marijuana Cultivation Establishment. On January 5, 2018, the State of Nevada Department of Taxation granted to Sweet Cannabis a Nevada Marijuana Product Manufacturing License and Nevada Marijuana Cultivation Facility License. Ascent is further expanding into federally legal jurisdictions outside of Canada and the USA, including activities currently focused on Europe through its wholly owned subsidiary in Denmark.

The Company’s Canadian licensing applications through its subsidiary Agrima, are currently under review by Health Canada (see Note 21).

The Company’s primary activities relate to cannabis cultivation, production, processing, research, product and brand development, and distribution.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has financed its working capital requirements primarily through equity and debt. The Company’s ability to continue as a going concern is dependent upon its ability to commence profitable operations and generate funds therefrom or raise additional financing in order to meet current and future obligations. While the Company has been successful in raising financing in the past, there is no assurance that it will be able to obtain additional financing or that such financing will be available on reasonable terms. These conditions combined with the accumulated losses to date indicate the existence of a material uncertainty that may cast doubt on the Company’s ability to continue as a going concern.

These condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

# ASCENT INDUSTRIES CORP

Notes to the Condensed Interim Consolidated Financial Statements  
For the Four Months Ended September 30, 2018 and the Three Months Ended August 31, 2017  
(Unaudited)  
(Expressed in Canadian Dollars)

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## 2. Significant Accounting Policies

### (a) Statement of Compliance and Basis of Presentation

The condensed interim consolidated financial statements have been prepared in compliance with International Accounting Standard 34 – Interim Financial Reporting, using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

Except as described below, the accounting policies applied in these condensed interim consolidated financial statements are the same as those applied in the Company’s consolidated financial statements as at and for the year ended May 31, 2018.

The changes in accounting policies are also expected to be reflected in the Company’s consolidated financial statements as at and for the year ending May 31, 2019. The Company has initially adopted IFRS 15 Revenue from Contracts with Customers (see A) and IFRS 9 Financial Instruments (see b) from June 1, 2018. A number of other new standards are effective from June 1, 2018 but they do not have a material effect on the Company’s financial statements.

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on November 29, 2018.

### (b) Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Agrima Botanicals Corp., Bloom Holdings Ltd., Pinecone Products Ltd., Agrima Scientific Corp., AIC Health Services Corp., AIC Health Winnipeg Corp., AIC Health Winnipeg Wellness Corp., Azeha Holdings Inc., Agrima Botanicals ApS (Denmark), West Fork Holdings Inc., West Fork Holdings NV Inc., Sweet Cannabis Inc., Luff Enterprises LLC., Sweet Cannabis NV Inc., and Luff Enterprises NV Inc. All significant inter-company balances and transactions have been eliminated on consolidation.

### (c) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for biological assets, assets classified as held for sale and available-for-sale and derivatives, which are measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

### (d) Functional and Presentation Currency.

The condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency. The functional currency of the Company’s US subsidiaries is the US Dollar, and the functional currency of the Company’s Danish subsidiary is the Danish Krone.

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized in the consolidated statements as a comprehensive loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.



# ASCENT INDUSTRIES CORP

Notes to the Condensed Interim Consolidated Financial Statements  
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## 2. Significant Accounting Policies (continued)

### (d) Functional and Presentation Currency (continued)

The assets and liabilities of foreign operations are translated into Canadian dollars at period end exchange rates. Income and expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from the translation of foreign operations are recognized in other comprehensive income and accumulated in equity.

### (e) Recent Accounting Pronouncements

#### (i) IFRS 9, Financial Instruments

The Company has adopted IFRS 9 Financial Instruments ("IFRS 9") as of June 1, 2018. IFRS 9 replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

#### *Classification and measurement of financial assets and financial liabilities*

IFRS 9 eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale. IFRS 9 requires financial assets to be initially measured at fair value and then subsequently measured at either: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) at fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and whether its contractual cash flow characteristics represent solely payments of principal and interest ("SPPI"). Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated and instead, the financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

# ASCENT INDUSTRIES CORP

Notes to the Condensed Interim Consolidated Financial Statements  
For the Four Months Ended September 30, 2018 and the Three Months Ended August 31, 2017  
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## 2. Significant Accounting Policies (continued)

### (e) Recent Accounting Pronouncements (continued)

#### (i) IFRS 9, Financial Instruments (continued)

IFRS 9 retains the existing requirements in IAS 39 for the classification of financial liabilities. Under IAS 39, all fair value changes on liabilities designated under the fair value option were recognized in earnings or loss. Under IFRS 9, those fair value changes are generally presented as follows: (i) the amount that is attributable to changes in the credit risk of the liabilities is presented in other comprehensive income ("OCI") and (ii) the remaining amount of change in the fair value is presented in earnings or loss. The Company has contingent consideration payable arising from a business combination which is measured at fair value at initial recognition and subsequently at FVTPL. All non-derivative financial liabilities are measured at amortized cost.

#### *Impairment of financial assets*

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss ("ECL") model for calculating impairment of financial assets. An entity is required to recognize ECL when financial instruments are initially recognized and to update the amount of ECL recognized at each reporting date to reflect changes in the credit risk of the financial instruments. IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

#### *Transition to IFRS 9*

In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. On adoption of IFRS 9, there were no differences in the carrying amounts of the Company's financial assets and financial liabilities.

The original measurement categories under IAS 39 and the new measurement categories under IFRS 9 are summarized as follows:

	IAS 39 Classification	IFRS 9 Classification
Financial Assets:		
Cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Investment	Available for sale	FVTOCI
Financial Liabilities:		
Accounts payable, payroll and accrued liabilities	Other financial liabilities	Amortized cost
Current portion of finance leases	Other financial liabilities	Amortized cost
Current portion of long term liabilities	Other financial liabilities	Amortized cost
Derivative liability	Other financial liabilities	FVTPL
Finance leases	Other financial liabilities	Amortized cost
Long-term loans	Other financial liabilities	Amortized cost
Contingent consideration payable	N/A	FVTPL

\* The Company has no contingent consideration prior to June 1, 2018

The adoption of IFRS 9 had a negligible impact on the carrying amounts of financial assets and liabilities.

# ASCENT INDUSTRIES CORP

Notes to the Condensed Interim Consolidated Financial Statements  
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## 2. Significant Accounting Policies (continued)

### (e) Recent Accounting Pronouncements (continued)

#### (ii) IFRS 15 Revenue from Contracts with Customers

The IASB replaced IAS 18 Revenue, in its entirety, with IFRS 15 Revenue from Contracts with Customers. The Company adopted IFRS 15 using the modified retrospective approach where the cumulative impact of adoption will be recognized in retained earnings as of June 1, 2018 and comparatives will not be restated.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue, at a point in time or over time, the assessment of which requires judgment. The model features the following contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized:

1. Identifying the contract with a customer;
2. Identifying the performance obligation(s) in the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligation(s) in the contract; and
5. Recognizing revenue when or as the Company satisfies the performance obligation(s).

Contract liabilities arising from revenue contracts are classified as deferred revenue on the statement of financial position and represents the entity's obligation to transfer goods or services to a customer for which the Company has received consideration from the customer.

Incremental costs to obtain a contract with a customer are capitalized if the Company expects to recover those costs and are amortized into operating expenses over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. The Company had no capitalized incremental costs of obtaining a customer contract on adoption of IFRS 15 or as at September 30, 2018.

Based on the Company's assessment, the adoption of this new standard had no impact on the amounts recognized in its condensed interim consolidated financial statements.

#### ***Future accounting policy changes issued but not yet in effect***

Pronouncements that are not applicable or that do not have a significant impact to the Company have not been included in these condensed interim consolidated financial statements. The following standards are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company is currently evaluating the impact of these standards on its consolidated financial statements.

In January 2016, the IASB issued IFRS 16, Leases, which replaces IAS 17, Leases, and other lease related interpretations. The new standard established the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease contract. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted only in conjunction with IFRS 15. The Company is not early adopting IFRS 16 and the extent of the impact of adoption of this standard has not yet been determined.

# ASCENT INDUSTRIES CORP

Notes to the Condensed Interim Consolidated Financial Statements  
For the Four Months Ended September 30, 2018 and the Three Months Ended August 31, 2017  
(Unaudited)  
(Expressed in Canadian Dollars)

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### 3. Accounts Receivable

Accounts receivable consist of the following:

	September 30, 2018	May 31, 2018
Trade receivables	\$ 268,394	\$ 1,289,439
GST/VAT recoverable (payable)	607,557	313,672
Less: Allowance for doubtful accounts	(147,829)	(80,000)
	<u>\$ 728,122</u>	<u>\$ 1,523,111</u>

Included in trade receivables is an amount of \$18,802 (\$1,565,640 at May 31, 2018) due from companies connected to directors and shareholders of Ascent arising from the provision of services and purchase of inventory (see Note 17).

### 4. Prepaid expenses

Prepaid expenses consist of the following:

	September 30, 2018	May 31, 2018
Deposits	\$ 327,164	\$ 107,619
Prepaid insurance	116,779	61,233
Prepaid inventory	94,973	201,396
Prepaid vendors	665,249	163,212
	<u>\$ 1,204,165</u>	<u>\$ 533,460</u>

# ASCENT INDUSTRIES CORP

Notes to the Condensed Interim Consolidated Financial Statements  
For the Four Months Ended September 30, 2018 and the Three Months Ended August 31, 2017  
(Unaudited)  
(Expressed in Canadian Dollars)

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## 5. Deposits for Properties

Deposits for properties consist of the following:

	September 30, 2018	May 31, 2018
Deposit for Pitt Meadows property	\$ 5,320,000	\$ 1,050,000

Deposits consist of non-refundable payments of cash, common shares and units.

## 6. Investments

During the year ended May 31, 2018 and 2017, the Company invested in Enhanced Pet Sciences Corp., a privately held, startup company that is developing pet food products incorporating cannabinoid extracts. The Company does not have significant influence or control over the investee and has classified the investment as available for sale. As the investee is privately held and there is no quoted market price for its common shares, the investment has been recorded at cost.

During the four months ended September 30, 2018, the Company acquired an investment previously held by Paget. Sebastiani Ventures Corp., a publicly traded company. The Company does not have significant influence or control over the investee and has classified the investment as available for sale.

The Company's investments consist of the following:

	September 30, 2018	May 31, 2018
Enhanced Pet Sciences Corp.	\$ 360,000	\$ 360,000
Sebastiani Ventures Corp.	16,502	-
	<u>\$ 376,502</u>	<u>\$ 360,000</u>

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## 7. Inventory and Biological Assets

Inventory consists of the following:

	September 30, 2018	May 31, 2018
Packaging	\$ 513,460	\$ 554,620
Finished terpenes	316,216	187,973
Finished packaged goods	392,742	232,689
Finished unpackaged goods	128,513	105,399
	<u>\$ 1,350,931</u>	<u>\$ 1,080,681</u>

The Company's biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

	September 30, 2018	May 31, 2018
Balance, beginning of period	\$ -	\$ 1,069,867
Purchase of plant material	449,291	60,720
Production costs capitalized	355,200	29,387
Disposed biological assets due to transition of operations	-	(67,500)
Changes in fair value, less costs to sell	(804,491)	(1,092,474)
	<u>\$ -</u>	<u>\$ -</u>

At September 30, 2018 purchased plant material and biological assets were revalued to \$Nil as the Company had not yet been granted a sales license under Health Canada.

The significant assumptions used in determining the fair value of biological assets include:

- (a) Expected yield by plant;
- (b) Wastage of plants;
- (c) Duration of the production cycle;
- (d) Percentage of costs incurred as of this date compared to the total costs expected to be incurred;
- (e) Percentage of costs incurred for each stage of plant growth; and
- (f) Market values.

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## 8. Property, Plant and Equipment

A continuity of the Company's property, plant and equipment for the four months ended September 30, 2018 is as follows:

Cost					Balance at
	Balance at June 1, 2018	Additions	Transfers	Foreign Exchange Movement	September 30, 2018
Construction in progress	\$ 1,030,841	\$ 2,981,103	\$ -	\$ -	\$ 4,011,944
Land	1,287,270	-	-	(146)	1,287,124
Buildings	9,143,091	13,487	-	(946)	9,155,632
Leasehold Improvements	3,311,089	341,327	-	(471)	3,651,945
Processing Machinery	1,184,977	280,657	-	(275)	1,465,359
Agricultural Machinery	3,117,166	72,456	-	(4)	3,189,618
Security Equipment	492,132	63,286	-	(29)	555,389
Mobile Equipment	74,940	1,200	-	(7)	76,133
Computer Equipment	344,482	125,761	-	(12)	470,231
Software	40,590	1,362	-	(2)	41,950
Furniture and fixtures	309,472	11,601	-	(9)	321,064
Total	\$ 20,336,050	\$ 3,892,240	\$ -	\$ (1,901)	\$ 24,226,389
<b>Business Segments</b>					
British Columbia	\$ 12,134,144	\$ 3,579,609	\$ -	\$ -	\$ 15,713,753
Manitoba	-	135,000	-	-	135,000
Oregon	2,892,842	48,725	-	(671)	2,940,896
Nevada	5,309,064	128,906	-	(1,230)	5,436,740
Total	\$ 20,336,050	\$ 3,892,240	\$ -	\$ (1,901)	\$ 24,226,389

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## 8. Property, Plant and Equipment (continued)

<b>Accumulated Depreciation</b>	Balance at June 1, 2018	Additions	Disposals	Foreign Exchange Movement	Balance at September 30, 2018
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ -
Land	-	-	-	-	-
Buildings	(813,311)	(76,241)	-	221	(889,331)
Leasehold Improvements	(239,100)	(114,376)	-	38	(353,438)
Processing Machinery	(154,499)	(110,419)	-	223	(264,695)
Agricultural Machinery	(921,048)	(263,974)	-	250	(1,184,772)
Security Equipment	(98,746)	(58,194)	-	112	(156,828)
Mobile Equipment	(16,965)	(6,294)	-	21	(23,238)
Computer Equipment	(128,091)	(38,962)	-	470	(166,583)
Software	(16,204)	(4,586)	-	6	(20,784)
Furniture and fixtures	(160,171)	(8,420)	-	21	(168,570)
<b>Total</b>	<b>\$ (2,548,135)</b>	<b>\$ (681,466)</b>	<b>\$ -</b>	<b>\$ 1,362</b>	<b>\$ (3,228,239)</b>
<b>Business Segments</b>					
British Columbia	\$ (2,135,081)	\$ (449,491)	\$ -	\$ -	\$ (2,584,572)
Manitoba	-	-	-	-	-
Oregon	(307,287)	(158,549)	-	1,650	(464,186)
Nevada	(106,759)	(73,426)	-	704	(179,481)
<b>Total</b>	<b>\$ (2,549,127)</b>	<b>\$ (681,466)</b>	<b>\$ -</b>	<b>\$ 2,354</b>	<b>\$ (3,228,239)</b>
<b>Net Book Value</b>	<b>\$ 17,786,923</b>				<b>\$ 20,998,150</b>

Depreciation expense of \$681,466 at September 30, 2018, is included in the accompanying condensed interim consolidated statement of operations.



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## 9. Intangible Assets

A continuity of the intangible assets for the four months ended September 30, 2018 is as follows:

<b>Cost</b>	Balance at June 1, 2018	Additions	Transfers	Balance at September 30, 2018
Licenses	\$ 3,760,292	\$ 1,293,948	\$ -	\$ 5,054,240
Software	2,934,289	709,685	-	3,643,974
<b>Total</b>	<b>\$ 6,694,581</b>	<b>\$ 2,003,633</b>	<b>\$ -</b>	<b>\$ 8,698,214</b>

### Business segments

British Columbia	\$ 5,337,289	\$ 1,384,685	\$ -	\$ 6,721,974
Oregon	-	9,062	-	9,062
Nevada	968,113	72,350	-	1,040,463
Denmark	389,179	537,536	-	926,715
<b>Total</b>	<b>\$ 6,694,581</b>	<b>\$ 2,003,633</b>	<b>\$ -</b>	<b>\$ 8,698,214</b>

<b>Accumulated Depreciation</b>	Balance at June 1, 2018	Additions	Foreign Exchange Movement	Balance at September 30, 2018
Licenses	\$ (42,173)	\$ (31,233)	\$ (160)	\$ (73,566)
Software	(146,715)	(109,638)	-	(256,353)
<b>Total</b>	<b>\$ (188,888)</b>	<b>\$ (140,871)</b>	<b>\$ (160)</b>	<b>\$ (329,919)</b>

### Business Segments

British Columbia	\$ (176,751)	\$ (126,918)	\$ -	\$ (303,669)
Oregon	-	(38)	-	(38)
Nevada	(12,137)	(8,358)	(160)	(20,655)
Denmark	-	(5,557)	-	(5,557)
<b>Total</b>	<b>\$ (188,888)</b>	<b>\$ (140,871)</b>	<b>\$ (160)</b>	<b>\$ (329,919)</b>
<b>Net Book Value</b>	<b>\$ 6,505,693</b>			<b>\$ 8,368,295</b>

Amortization expense of \$140,871 at September 30, 2018, is included in the accompanying condensed interim consolidated statement of operations.

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## 10. Acquisitions

### (a) First Circle Medical Pharmacy and Clinic

On June 28, 2018, the Company completed the acquisition of net assets of First Circle Medical Pharmacy and Clinic pursuant to a Purchase Agreement (the "Agreement") dated June 28, 2018, for a total consideration of \$1,250,000. First Circle Medical Pharmacy and Clinic is focused on providing multidisciplinary, patient-centric, full-service health care to patients in Canada. The transaction was accounted for as a business combination.

Consideration		
Cash paid at closing	\$	275,000
Common shares issued		225,000
Performance milestones achieved		
Common shares to be issued		250,000
Contingent consideration <sup>(1)</sup>		500,000
	\$	<u>1,250,000</u>

(1) Contingent consideration represents the amount estimated to be paid out over a 12-month period on achievement of future performance milestones related to cumulative successful patient referrals and cumulative patients ordering medicine through the telemedicine services of the Clinics.

This consideration is to be satisfied based on four individual milestones, each resulting in issuance of \$250,000 of Ascent Common Shares, with the fair value being determined based on management's assessment of the profitability of each milestone being achieved. The issuance of the Company's shares should not result in former First Circle Medical Pharmacy and Clinic shareholders accumulating 50% or more of the Company's shares.

During the period ended September 30, 2018, the first milestone was achieved for closing of the purchase. The Company has not issued the shares and thus has recorded \$250,000 in Common shares to be issued.

All common shares issued were accounted for at fair value at the dates of issuance.

The purchase price was allocated as follows;

Allocation		
Inventory	\$	42,000
Equipment		35,000
Leasehold improvements		100,000
Goodwill		1,073,000
	\$	<u>1,250,000</u>

For the period ended September 30, 2018, First Circle Medical Pharmacy and Clinic accounted for \$168,990 in net loss since June 28, 2018.

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## 11. Finance Lease

During the year ended May 31, 2017, the Company entered into finance lease agreements related to two production equipment transactions totaling \$529,886, of which down payments of \$174,585 were made. The finance leases are repayable over a period of 1 to 3 years expiring April 2018 and February 2020.

	September 30 2018	May 31 2018
Less than 1 year	\$ 20,928	\$ 41,227
Between 1 and 3 years	6,976	13,952
Total minimum lease payments	27,904	55,179
Less: amount representing interest at approximately 31.10% to 62.01%	(9,226)	(13,451)
Present value of minimum lease payments	18,678	41,728
Less: current portion	(12,518)	(30,532)
Long term portion	\$ 6,160	\$ 11,196

## 12. Short Term Loan Payable

A wholly owned subsidiary of the Company has a mortgage on its property in Maple Ridge, BC. The initial mortgage amount was for \$1,800,000 for a two-year period beginning January 1, 2016 bearing interest at 8.5% per annum compounded monthly. The mortgage was renewed for a one-year term on January 1, 2018 for the principal outstanding of \$1,754,546 with the same interest rate of 8.5% per annum compounded monthly. At September 30, 2018, the short-term loan payable is \$1,737,608.

## 13. Long Term Liabilities

Effective May 29, 2017 and as amended July 26, 2018, a wholly-owned subsidiary of the Company has an 8.0% interest only mortgage on its Las Vegas, NV property. The aggregate amount of the mortgage is \$4,000,000 and is due on January 1, 2020. This mortgage is secured against the Las Vegas property and the Maple Ridge property. There is a conversion privilege at the option of the lender, in whole or in part at any time during the term into common shares of the Company at \$0.35 per share, and a prepayment right exercisable by the Company should there be an offering of shares or merger type transaction, at a share price of at least \$1.00. The conversion privilege contains a price adjustment clause in the event of any future financing at a price of less than \$0.35 per common share. As the conversion price can be amended, the conversion feature failed the 'fixed-for-fixed' criteria and was classified as a derivative liability with a fair value of \$357,445 at the date of issuance. The conversion feature was valued using a binomial model on the issuance date and remeasured to fair value at September 30, 2018 with the following assumptions:

	September 30, 2018	May 31, 2018
Exercise price	\$0.71	\$0.35
Time to maturity	1.17 years	1 years
Risk-free rate	1.62%	1.29%
Volatility	86%	75%
Dividend rate	Nil	Nil

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## 13. Long Term Liabilities (continued)

	Derivative Liability
Balance May 31, 2018	\$ 875,695
Change in fair value	3,926,677
<b>Balance September 30, 2018</b>	<b>\$ 4,802,372</b>

  

	Long Term Liabilities
Balance May 31, 2018	\$ 3,821,278
Add: Accretion interest	50,838
<b>Balance September 30, 2018</b>	<b>\$ 3,872,116</b>

## 14. Share Capital and Contributed Surplus

### (a) Authorized

Unlimited number of common shares with no par value; and unlimited number of preferred shares with no par value.

### (b) Issued and Outstanding

During the four months ended September 30, 2018, the Company:

- (i) received \$916,667 pursuant to the exercise of warrants issued as a part of a series B non-brokered private placement.
- (ii) issued 2,777,778 units and 416,667 shares as consideration for properties in Pitt Meadows at a price of \$0.36 per unit/share for a total of \$1,150,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.50 per common share for a period of two years.
- (iii) issued 205,556 units as consideration for services at a price of \$0.36 and \$0.40 per unit for total services of \$80,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.50 per common share for a period of two years.
- (iv) issued 123,834 shares as consideration for services at a price of \$0.36 and \$0.40 per share for total services of \$46,200.
- (v) issued 562,500 shares as consideration for the purchase of First Circle Medical Clinic Ltd. at a price of \$0.40 per share for a total of \$225,000.

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## 14. Share Capital and Contributed Surplus (continued)

### (b) Issued and Outstanding (continued)

- (vi) issued 30,000,000 units as part of the series D non-brokered private placement at a price of \$0.40 per unit for gross proceeds of \$12,000,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.50 per common share for a period of two years. In connection with the private placement the Company issued 510,407 units and paid \$76,178 in finders fees.
- (vii) Company issued 48,085,500 units as part of a brokered public placement at a price of \$0.40 per unit for gross proceeds of \$19,234,200. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.60 per common share for a period of two years. Issue costs consist of 2,885,130 units consisting of one option and one warrant at a unit price of \$0.40. Warrants can be exercised at a price of \$0.60 to acquire one common share for a period of two years.
- (viii) issued 7,996,000 units as part of a brokered public placement at a price of \$0.30 per unit for gross proceeds of \$2,398,800. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.60 per common share for a period of two years.
- (ix) issued 1,546,643 common shares at a deemed price of \$0.40 per share to former existing shareholders of Paget pursuant to closing of the Amalgamation.
- (x) received \$1,067,650 pursuant to the exercise of warrants issued as a part of a Series D non-broker private placement and a brokered public placement.

During the year ended May 31, 2018, the Company:

- (xi) received \$440,972 and \$2,990,609 respectively pursuant to the exercise of warrants issued as a part of series A and series B, non-brokered private placement of units.
- (xii) cancelled and put into an estate trust 133,333 units of the series A non-brokered private placement.
- (xiii) issued 166,667 shares at a price of \$0.15 per unit for gross proceeds of \$25,000 as the last tranche of the series B private placement initiated during the year ended May 31, 2017.
- (xiv) closed a series C non-brokered private placement of shares consisting of 25,516,613 common shares at a price of \$0.40 per share for gross proceeds of \$10,206,645, net of \$462,696 in issuance costs consisting of 999,254 in common shares issued as finders' fees in the amount of \$399,702 and legal fees of \$62,994.
- (xv) received \$8,673,862 for the series D placement of units. These securities were issued during the period ended September 30, 2018.

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## 14. Share Capital and Contributed Surplus (continued)

### (b) Issued and Outstanding (continued)

- (xvi) issued 1,280,000 common shares at a price of \$0.40 per shares for the purchase of equipment.
- (xvii) issued 1,666,845 common shares at prices between \$0.135 and \$0.40 per shares for services.
- (xviii) issued 3,090,240 common shares at a price of \$0.25 per shares for the Nevada licenses.
- (xix) issued 804,188 common shares at a price of \$0.40 per shares for the purchase of proprietary software.
- (xx) issued 950,882 shares at a price of \$0.40 for employment services for \$380,353, of which \$300,000 was accrued as at May 31, 2017.

### (c) Share Purchase Warrants

Each whole warrant entitles the holder to purchase one common share of the Company. A summary of the status of the warrants issued, exercised or expired is as follows:

	Warrants	Weighed average exercised price
Balance May 31, 2017	29,752,293	0.232
Exercised	(1,791,460)	0.135
Exercised	(11,962,436)	0.250
Expired	(2,935,397)	0.135
Expired	(563,000)	0.250
Balance May 31, 2018	12,500,000	0.250
Exercised	(3,666,667)	0.250
Issued	2,885,130	0.400
Issued	33,493,741	0.500
Issued	56,581,500	0.600
Exercised	(597,500)	0.500
Exercised	(1,281,500)	0.600
Balance September 30, 2018	99,914,704	\$ 0.530

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## 14. Share Capital and Contributed Surplus (continued)

### (c) Share Purchase Warrants (continued)

During the four months ended September 30, 2018 the Company:

- (i) received total gross proceeds of \$916,667 pursuant to the exercise of 3,666,667 series B warrants at a price of \$0.25 per common share.
- (ii) issued 2,777,778 units as consideration for properties in Pitt Meadows. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.50 per common share for a period of two years.
- (iii) issued 205,556 units as consideration for services. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.50 per common share for a period of two years.
- (iv) issued 30,000,000 units as part of the series D non-brokered private placement. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.50 per common share for a period of two years.
- (v) issued 48,085,500 units as part of a brokered public placement. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.60 per common share for a period of two years. Issue costs consist of 2,885,130 units consisting of one option and one warrant. Options can be exercised at a price of \$0.40 to acquire one common share and one warrant at a price of \$0.60 per common share for a period of two years.
- (vi) issued 7,996,000 units as part of a brokered public placement. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.60 per common share for a period of two years.
- (vii) issued 500,000 warrants at a deemed exercise price of \$0.60 per share to former existing warrant holders of Paget pursuant to the Amalgamation. The fair value of the warrants at the date of grant was estimated at \$22,483, based on the following weighted average assumptions: stock price volatility - 86%, risk free interest rate – 2.19%, dividend yield – 0.00%; and expected life – 6 months.
- (viii) received total gross proceeds of \$298,750 pursuant to the exercise of 597,500 series D warrants at \$0.50 each.
- (ix) received total gross proceeds of \$768,900 pursuant to the exercise of 1,281,500 public offering warrants at \$0.60 each.

During the year ended May 31, 2018, the Company received total gross proceeds of \$3,232,456 on the exercise of a total of 1,791,460 and 11,962,436 warrants an exercise price of \$0.135 and \$0.25 per common share respectively.

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## 14. Share Capital and Contributed Surplus (continued)

### (c) Share Purchase Warrants (continued)

During the year ended May 31, 2018, the Company received total gross proceeds of \$3,232,456 on the exercise of a total of 1,791,460 and 11,962,436 warrants an exercise price of \$0.135 and \$0.25 per common share respectively.

The following table summarizes the warrants that remain outstanding as at September 30, 2018:

Exercise Price	Warrants #	Expiry Date
\$ 0.250	8,833,333	February 9, 2019
0.600	500,000	January 5, 2019
0.500	32,896,241	July 19, 2020
0.400	2,885,130	June 21, 2020
0.600	48,085,500	June 21, 2020
0.600	6,714,500	July 24, 2020
	<u>99,914,704</u>	

Not all common shares issuable on exercise of these warrants have yet been issued, and accordingly, these have been reflected as common shares to be issued on the statement of changes of shareholders' equity.

### (d) Share-based Compensation

The Company has adopted an incentive stock option plan pursuant to which it is authorized to grant options to employees, consultants, directors and officers, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 10 years with vesting terms determined by the Board of Directors.

During the four months ended September 30, 2018, the Company recorded \$658,646 in share-based compensation expense related to options.

At September 30, 2018, the weighed average exercise price of options outstanding was \$0.40 and the weighed average remaining contractual life was 3.51 years based on a vesting period of four years.



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## 14. Share Capital and Contributed Surplus (continued)

### (d) Share-based Compensation (continued)

The following table summarizes the options outstanding as at September 30, 2018:

	Options	Exercise price
Balance May 31, 2018	12,470,000	\$ 0.40
Options granted	6,832,500	0.40
Options granted	150,000	0.50
Options granted	70,000	0.62
Options granted	60,000	0.77
Options granted	20,000	0.79
Options granted	10,000	0.80
Options acquired	104,722	0.40
Options forfeited/cancelled	(1,200,000)	0.40
Balance September 30, 2018	18,517,222	\$ 0.40

In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted during the quarter ended September 30, 2018 by applying the following assumptions

	September 30, 2018
Risk-free interest rate	1.93% - 2.04%
Expected life of options (years)	5
Expected annualized volatility	75%
Expected dividend yield	Nil
Weighted average Black-Scholes value of each option	\$ 0.2400 - 0.5359

Volatility was established by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history.

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## 15. Commitments and Contingencies

Effective March 1, 2016 the Company entered into a four-year lease agreement for office and processing premises located in Portland, Oregon. The lease terminates February 28, 2020. The obligations under this lease are as follows:

	USD
2018	\$ 36,517
2019	149,111
2020	24,953
	<u>210,582</u>

Effective February 1, 2017 the Company entered into a five-year lease agreement for office and processing premises located in Pitt Meadows, BC. The lease terminates January 31, 2022. The obligations under this lease are as follows:

2018	\$ 39,535
2019	158,139
2020	162,390
2021	163,240
2022	27,207
	<u>550,510</u>

Effective July 31, 2018 the Company purchased First Circle Medical Clinic Ltd. And First Circle Pharmacy Ltd. and assumed two five year lease agreements for clinic and pharmacy premises located in Winnipeg, MB. The lease terminates October 31, 2022. The obligations under this lease are as follows:

2018	\$ 17,310
2019	69,240
2020	69,240
2021	69,240
2022	51,930
	<u>276,960</u>

During the year ended May 31, 2018, the Company purchased software for a total of \$1,935,300 (1,500,000 US) (Note 9). As at September 30, 2018 the Company made payments of \$327,500 (\$250,000US) in cash and issued \$321,675 (\$250,000US) in common shares. At September 30, 2018 the Company has a remaining commitment of \$1,294,500 (\$1,000,000US), which is to be paid in cash and common shares, both in the amount of \$647,500 (\$500,000US) subject to the achievement of milestones.

# ASCENT INDUSTRIES CORP

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited)

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## 15. Commitments and Contingencies

During the year ended May 31, 2018, the Company entered into a contract to purchase a property in Pitt Meadows, BC for a total of \$19,080,000. As at, September 30, 2018 the Company has made cash deposits of \$4,170,000 and issued \$1,150,000 in common shares. At September 31, 2018, the Company has a remaining commitment of \$13,760,000 due on closing. Management expects the closing to occur within the next year.

## 16. Segment Information

The Company operates in two primary segments; medical cannabis and other. For the four months ending September 30, 2018 and the three months ending August 31, 2017 operating segment information is as follows:

	Medical Cannabis		Other		Total
For the period ended September 30, 2018:					
Revenues	\$ 789,253	\$	-	\$	789,253
Gross profit (loss)	140,087		-		140,087
Income (loss) from operations	(3,419,556)		(3,620,003)		(7,039,559)
Net Income (Loss)	(7,929,981)		(5,706,675)		(13,636,656)

For the period ended August 31, 2017:					
Revenues	\$ 2,595,945	\$	-	\$	2,595,945
Gross profit (loss)	(27,815)		-		(27,815)
Income (loss) from operations	(1,010,203)		(445,987)		(1,456,190)
Net Income (Loss)	(1,010,203)		(1,681,480)		(2,691,683)

	Medical Cannabis		Other		Total
As at September 30, 2018:					
Total assets	\$ 28,785,886	\$	22,912,131	\$	51,698,017
Total liabilities	3,229,523		10,342,370		13,571,893

As at May 31, 2018:					
Total assets	\$ 23,255,357	\$	8,171,947	\$	31,427,304
Total liabilities	2,894,313		6,478,878		9,373,191

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## 16. Segment Information (continued)

The Company generates revenue in two geographical locations: Canada and the USA. The Company has incorporated a wholly-owned subsidiary in Denmark. The activities as of September 30, 2018 of the subsidiary are immaterial. Accordingly, the operations of the subsidiary do not constitute a segment. All revenues during the four months ended September 30, 2018 and three months ended August 31, 2017 were generated in Canada and the USA and all assets and liabilities were located in Canada and the USA.

	Canada		USA		Total
For the period ended September 30, 2018:					
Revenues	\$ 19,559	\$	769,694	\$	789,253
Gross profit (loss)	19,231		120,856		140,087
Loss from operations	(5,388,619)		(1,650,940)		(7,039,559)
Net Income (Loss)	(11,950,847)		(1,685,809)		(13,636,656)
For the period ended August 31, 2017:					
Revenues	\$ 2,595,945	\$	-	\$	2,595,945
Gross profit (loss)	(27,815)		-		(27,815)
Loss from operations	(918,772)		(537,418)		(1,456,190)
Net Income (Loss)	(2,154,265)		(537,418)		(2,691,683)
As at September 30, 2018:					
Total assets	\$ 40,487,127	\$	11,210,890	\$	51,698,017
Total liabilities	12,912,237		659,656		13,571,893
As at May 31, 2018:					
Total assets	\$ 21,502,940	\$	9,924,364	\$	31,427,304
Total liabilities	9,173,788		199,403		9,373,191

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## 17. Related Parties

### (a) Goods and Services

Balances and transactions between the Company and its wholly owned and controlled subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below:

The Company incurred the following transactions with related parties during the four months ended September 30, 2018:

During the four months ended September 30, 2018, the Company provided \$17,907 in services to a company connected to directors and shareholders of Ascent.

During the three months ended August 31, 2018, the Company sold \$1,191,631 of inventory to companies connected to directors and shareholders of Ascent. A majority of these sales were to a company with an electronic commerce platform. The sales were made at generally the same terms and prices from other online providers.

	<u>Four Months Ended</u> <u>September 30, 2018</u>	<u>Three Months Ended</u> <u>August 31, 2017</u>
Received from companys that is a shareholder for services	\$ 17,907	\$ -
Received from companys that is a shareholder for the purchase of supplies	-	1,191,631
Received from a director for the purchase of shares	11,700	-
Received from a company that is a shareholder for purchase of shares	94,260	-
Received from a company that is a controlled by a director for purchase of shares	916,667	-
	<u>1,040,534</u>	<u>1,191,631</u>

### (b) Compensation of Key Management Personnel

The Company's directors are also the key management personnel that have the authority and responsibility for planning, directing and controlling the activities of the Company. The Company's key management personnel were paid compensation as follows:

	<u>Four Months Ended</u> <u>September 30, 2018</u>	<u>Three Months Ended</u> <u>August 31, 2017</u>
Management compensation	\$ 341,281	\$ 103,846
Share-based Payments	386,698	-
	<u>727,979</u>	<u>103,846</u>

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## 17. Related Parties (continued)

### (c) Related Party Balances

The following related party amounts were included in accounts receivable.

	<u>September 30, 2018</u>		<u>May 31, 2018</u>
Receivable from a company that is a shareholder for sale of inventory supplies	\$ 18,802	\$	765,475

## 18. Financial Instruments

### (a) Fair Value Hierarchy

The carrying values of cash, trade and other receivables, and trade and other payables approximate their fair values due to the short-term nature of these instruments.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value in the fair value hierarchy.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

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

The following tables present the carrying amounts and fair values of the Company's financial assets and liabilities, including their levels within the fair value hierarchy. Fair value information for financial assets and financial liabilities not measured at fair value is not presented if the carrying amount is a reasonable approximation of fair value.

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## 18. Financial Instruments (continued)

### (a) Fair value hierarchy (continued)

As at September 30, 2018	Carrying Value			Fair Value		
	Amortized cost	Fair Value through Other Comprehensive Income ("FVOCI")	Fair Value through Profit or Loss ("FVTPL")	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Cash and cash equivalents	\$ 12,278,851	\$ -	\$ -	\$ 12,278,851	\$ -	\$ -
Accounts receivable	728,122	-	-	728,122	-	-
Investments	-	376,502	-	376,502	-	-
	<u>\$ 13,006,973</u>	<u>\$ 376,502</u>	<u>\$ -</u>	<u>\$ 13,383,475</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Financial liabilities</b>						
Accounts payable, payroll and accrued liabilities	\$ 2,641,120	\$ -	\$ -	\$ 2,641,120	\$ -	\$ -
Current portion of finance leases	12,518	-	-	12,518	-	-
Current portion of long term liabilities	1,737,608	-	-	1,737,608	-	-
Derivative liability	-	-	1,863,806	-	-	1,863,806
Finance leases	6,160	-	-	6,160	-	-
Long-term loans	4,802,372	-	-	4,802,372	-	-
Contingent consideration payable	-	-	500,000	-	-	500,000
	<u>\$ 9,199,778</u>	<u>\$ -</u>	<u>\$ 2,363,806</u>	<u>\$ 9,199,778</u>	<u>\$ -</u>	<u>\$ 2,363,806</u>

  

As at May 31, 2018	Carrying Value			Fair Value		
	Loans and receivables	Available for sale	Other financial liabilities	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Cash and cash equivalents	\$ 2,587,436	\$ -	\$ -	\$ 2,587,436	\$ -	\$ -
Accounts receivable	1,523,111	-	-	1,523,111	-	-
Investments	-	360,000	-	360,000	-	-
	<u>\$ 4,110,547</u>	<u>\$ 360,000</u>	<u>\$ -</u>	<u>\$ 4,470,547</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Financial liabilities</b>						
Accounts payable, payroll and accrued liabilities	\$ -	\$ -	\$ 2,888,291	\$ 2,888,291	\$ -	\$ -
Current portion of finance leases	-	-	30,532	30,532	-	-
Current portion of long term liabilities	-	-	1,746,199	1,746,199	-	-
Derivative liability	-	-	875,695	-	-	875,695
Finance leases	-	-	11,196	11,196	-	-
Long-term loans	-	-	3,821,278	3,821,278	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,373,191</u>	<u>\$ 8,497,496</u>	<u>\$ -</u>	<u>\$ 875,695</u>

The Company's derivative liability and contingent consideration payable, are measured at fair value based on unobservable inputs and is considered a Level 3 financial instrument (see Note 13).

The Company's contingent consideration payable is measured at fair value based on unobservable inputs and is considered a level 3 financial instrument. The fair value of these liabilities determined by this analysis was primarily driven by the Company's expectations of the subsidiary achieving its milestones. At September 30, 2018, the probability of achieving the milestones was estimated to be 50%. If the probability of achieving the milestones decreased to 40%, the estimated fair value of contingent consideration would decrease by approximately \$100,000.

The Company's other financial instruments, including accounts receivable, accounts payable and accrued liabilities, payroll payable and other liabilities are carried at cost which approximate fair value due to the relatively short maturity of those instruments.

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## 19. Capital Management

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and to maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The capital structure of the Company consists of items included in shareholders' equity and debt, net of cash and cash equivalents. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or seek additional debt financing to ensure that it has sufficient working capital to meet its short-term business requirements. There were no changes in the Company's approach to capital management during the period ended September 30, 2018.

## 20. Reverse Take Over Transaction ("RTO")

Effective August 8, 2018, Paget Minerals Corp. (Paget) acquired 100% of the issued and outstanding shares of Ascent in exchange for 9,542,639 common shares issued by Paget. As a result of this share issuance, the former shareholders of Ascent obtained 96.71% of the common shares of Paget and, consequently, control of Paget.

Accordingly, the Company has accounted for the acquisition as a reverse takeover, and no goodwill or intangible asset representing the stock exchange listing has been recorded. Therefore, for accounting purposes, Ascent, the legal subsidiary, has been treated as the accounting acquirer, and Paget, the legal parent, has been treated as the accounting acquire in these condensed interim consolidated financial statements. As Ascent was deemed to be the acquirer for accounting purposes, its assets, liabilities, and operations since incorporation are included in these condensed interim consolidated financial statements at their historical carrying values. Paget's results of operations have been included from August 8, 2018, the date of completion of the acquisition.

These condensed interim consolidated financial statements have been prepared on the basis the acquisition constituted the issuance of shares by Ascent as consideration for Paget's net assets. The transaction has been accounted for in accordance with IFRS 2, Share Based Payments as Paget did not meet the definition of a business under IFRS 3, Business Combinations. The acquisition was recorded by the Company as a listing expense which reflects the difference between the fair value of the Ascent common shares issued to the Paget shareholders less the fair value of the assets of Paget acquired.

For the purposes of accounting for the reverse takeover, the percentage of ownership of the pre-acquisition shareholders of Paget in the combined entity upon completion of the acquisition was determined to be 3.29% (which represents 9,542,639 common shares out of a total of 290,263,039 common shares of the Company outstanding upon closing of the acquisition).



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## 20. Reverse Take Over Transaction ("RTO") (continued)

The excess of the fair value of the consideration received by the pre-acquisition shareholders of Paget over the fair value of the identifiable net assets of Paget on the closing date of the acquisition was calculated as follows:

Common shares issued (9,542,639 shares at \$0.40)	\$	3,817,056
Adjustment for fair value of options (83,333 stock options exerciable at \$0.60)		15,683
Adjustment for fair value of warrants (500,000 warrants exerciable at \$0.60)		22,483
		<hr/>
		3,855,222
Net assets of the Company		
Cash		2,189,996
Receivables		3,942
Prepaid expenses		20,000
Investments		16,502
Accounts payable and accrued liabilities		(437)
		<hr/>
		2,230,003
Listing expense	\$	<hr/> <hr/> 1,625,219

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## 21. Subsequent Events

Subsequent to the four months ending September 30, 2018, the Company

- (i) received \$113,125 pursuant to the exercise of 226,250 warrants as a part of series D. The remaining 32,669,991 warrants expired unexercised on July 19, 2020.
- (ii) received \$490,472 pursuant to the exercise of 1,226,180 units as a part of the broker warrants. The remaining 1,658,950 warrants expired unexercised on June 21, 2020.
- (iii) received \$299,000 pursuant to the exercise of 498,333 warrants units as a part of the public offering. The remaining 54,301,667 warrants expired unexercised on June 24, 2020.
- (iv) issued 1,412,152 common shares at a price of \$0.44 per shares for the purchase of equipment.
- (v) Issued 272,726 common shares at a price of \$0.44 per share for consulting services.

On November 16, 2018, the Company announced that, further to the letter from Health Canada dated September 26, 2018, Health Canada had continued the suspension of the Canadian producer's licence and dealer's licence issued by the Health Canada to Agrima Botanicals Corp ("Agrima"), a wholly-owned subsidiary of the Company, and proposed to revoke the licences subject to a 10 day period to be heard under the Cannabis Act. Philip Campbell, Reid Parr and James Poelzer have resigned as directors and officers of Agrima effective November 20, 2018.

On November 23, 2018, Health Canada granted the Company an extension until December 17, 2018 to respond to the suspension of the Canadian producer's licence and dealer's licence issued by the Health Canada to Agrima. Health Canada has asserted that unauthorized activities with cannabis took place under the Company's ACMPR license during the period the Company was privately held. The Company has denied Health Canada's assertions and intends to exercise its right to be heard under the Cannabis Act and Cannabis Regulations in order to maintain its licences. Should the Company not be successful in this hearing process, the licences could be revoked. The Company has taken additional material actions to resolve this issue, including appointing an independent committee to undertake a review of the concerns expressed by Health Canada and to lead the hearing process with Health Canada, as well as the appointment of Fasken Martineau DuMoulin LLP as its independent external legal counsel to advise on the hearing process and has appointed an interim CEO.