

ASCENT INDUSTRIES CORP.
CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2019 and
May 31, 2018

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the 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.
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(Expressed in Canadian Dollars)
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ASCENT INDUSTRIES CORP.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at June 30, 2019 and December 31, 2018

	June 30 2019	December 31 2018
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 16,902,565	\$ 1,339,027
Trade and other receivables (Note 6)	807,077	786,480
Prepaid expenses (Note 7)	228,912	1,249,612
Deposits for properties (Note 8)	6,472	7,595,000
Inventory (Note 9)	1,094,693	2,019,434
Investments (Note 10)	376,502	376,502
	19,416,221	13,366,055
CONSTRUCTION IN PROGRESS (Note 11)	-	6,361,671
PROPERTY, PLANT AND EQUIPMENT (Net of accumulated amortization) (Note 11)	7,751,057	17,387,007
INTANGIBLE ASSETS (Note 12)	6,905,288	10,128,872
RIGHT OF USE ASSET (Note 14)	122,295	-
	\$ 34,194,861	\$ 47,243,605
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Trade and other payables	\$ 3,972,218	\$ 3,412,011
Commission payable	978,840	-
Current portion of finance leases (Notes 13, 14)	-	14,561
Short term debt payable (Note 15)	500,000	1,731,003
Contingent consideration (Note 16)	-	500,000
Derivative liability (Note 17)	-	1,976,063
LEASE LIABILITY (Note 13)	122,295	1,658
LOAN PAYABLE (Note 17)	-	3,895,745
	5,573,353	11,531,041
SHAREHOLDERS' EQUITY		
Share capital (Note 18)	70,214,848	70,214,848
Contributed surplus	1,572,639	1,572,639
Accumulated other comprehensive income	(260,712)	(197,307)
Common shares to be issued	548,597	548,597
Share-based reserve	1,241,312	1,241,312
Deficit	(44,695,176)	(37,667,525)
	28,621,508	35,712,564
	\$ 34,194,861	\$ 47,243,605

ON BEHALF OF THE BOARD

Director

Director

ASCENT INDUSTRIES CORP.
CONSOLIDATED STATEMENT OF OPERATIONS
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2019 and May 31, 2018

	3 months ended June 30 2019	3 months ended May 31 2018	6 months ended June 30 2019	6 months ended May 31 2018
REVENUE	\$ 182,322	\$ 912,485	\$ 617,556	\$ 4,657,260
COST OF SALES	<u>410,163</u>	1,164,979	<u>1,168,581</u>	3,848,368
GROSS MARGIN BEFORE FAIR VALUE ADJUSTMENTS	(227,841)	(252,494)	(551,025)	808,892
Fair value adjustment on growth of biological assets	-	(44,800)	-	(44,800)
GROSS MARGIN AFTER FAIR VALUE ADJUSTMENTS	<u>(227,841)</u>	(297,294)	<u>(551,025)</u>	764,092
EXPENSES				
General and administration	1,806,541	2,563,867	4,396,768	4,090,848
Selling and marketing	(20,685)	695,247	518,847	1,365,554
Depreciation and amortization	202,247	484,270	404,494	941,478
Pre-production costs	-	772,938	-	1,462,354
Share based compensation	-	401,540	-	507,151
Research and development	(20,474)	45,068	171,329	67,476
	<u>1,967,629</u>	4,962,930	<u>5,491,438</u>	8,434,861
LOSS FROM OPERATIONS	<u>(2,195,470)</u>	(5,260,224)	<u>(6,042,463)</u>	(7,670,769)
OTHER INCOME (EXPENSES)				
Gain on sale of Canadian assets	-	-	2,915,810	-
CCAA settlement	(1,200,000)	-	(1,200,000)	-
Loss on write-down of assets	-	-	(132,891)	-
Accretion expense	-	(44,682)	-	(89,362)
Interest and other	(135,674)	(399,595)	(1,614,671)	(833,420)
Gain on derivative liability (Note 17)	-	190,674	-	414,491
	<u>(1,335,674)</u>	(253,603)	<u>(31,752)</u>	(508,291)
LOSS BEFORE INCOME TAXES AND COMPREHENSIVE INCOME	<u>(3,531,144)</u>	(5,513,827)	<u>(6,074,215)</u>	(8,179,060)

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ASCENT INDUSTRIES CORP.
CONSOLIDATED STATEMENT OF OPERATIONS *(continued)*
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2019 and May 31, 2018

	3 months ended June 30 June 30 2019	3 months ended May 31 May 31 2018	6 months ended June 30 June 30 2019	6 months ended May 31 May 31 2018
INCOME TAXES	742	-	12,395	-
NET LOSS	(3,531,886)	(5,513,827)	(6,086,610)	(8,179,060)
COMPREHENSIVE INCOME				
Currency translation adjustment	(41,312)	374,784	(743,736)	307,109
	(41,312)	374,784	(743,736)	307,109
COMPREHENSIVE LOSS	\$ (3,573,198)	\$ (5,139,043)	\$ (6,830,346)	\$ (7,871,951)
EARNINGS PER SHARE	\$ (0.01)	\$ (0.03)	\$ (0.02)	\$ (0.04)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	320,151,457	186,807,688	320,151,457	186,807,688

ASCENT INDUSTRIES CORP.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in Canadian Dollars)

Six Months Ended June 30, 2019 and Periods Ended December 31, 2018 and May 31, 2018

	Common shares	Common shares to be issued	Contributed surplus	Accumulated other comprehensive income	Share-based reserve	Deficit	Total equity
As at June 1, 2018	\$ 31,576,460	\$ 8,673,862	\$ 1,572,639	\$ 23,671	\$ 507,151	\$ (20,299,670)	\$ 22,054,113
Exercise of warrants (for private placement A)	916,667	-	-	-	-	-	916,667
Exercise of warrants (for private placement D)	1,970,232	298,597	-	-	-	-	2,268,829
Shares issued in Paget Minerals reverse takeover	3,796,748	-	-	-	-	-	3,796,748
Shares issued through public offering	19,234,200	-	-	-	-	-	19,234,200
Shares issued for private placement D	12,000,000	(8,673,862)	-	-	-	-	3,326,138
Shares issued for finders fees	204,163	-	-	-	-	-	204,163
Shares issued for equipment	621,647	-	-	-	-	-	621,647
Shares issued for service	271,200	-	-	-	-	-	271,200
Shares issued as a deposit for property	1,150,000	-	-	-	-	-	1,150,000
Shares issued in First Circle acquisition	225,000	250,000	-	-	-	-	475,000
Shares issued for compensation	-	-	-	-	734,161	-	734,161
Share issuance costs	(1,751,469)	-	-	-	-	-	(1,751,469)
Foreign currency reserve	-	-	-	(220,978)	-	-	(220,978)
Net loss for the year	-	-	-	-	-	(17,367,855)	(17,367,855)
As at December 31, 2018	\$ 70,214,848	\$ 548,597	\$ 1,572,639	\$ (197,307)	\$ 1,241,312	\$ (37,667,525)	\$ 35,712,564
As at January 1, 2019	\$ 70,214,848	\$ 548,597	\$ 1,572,639	\$ (197,307)	\$ 1,241,312	\$ (37,667,525)	\$ 35,712,564
Currency adjustment	-	-	-	-	-	(941,042)	(941,042)
Foreign currency reserve	-	-	-	(63,405)	-	-	(63,405)
Net loss for the period	-	-	-	-	-	(6,086,609)	(6,086,609)
As at June 30, 2019	\$ 70,214,848	\$ 548,597	\$ 1,572,639	\$ (260,712)	\$ 1,241,312	\$ (44,695,176)	\$ 28,621,508

ASCENT INDUSTRIES CORP.
CONSOLIDATED STATEMENT OF CASH FLOW
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2019 and May 31, 2018

	6 months ended June 30 2019	6 months ended May 31 2018
OPERATING ACTIVITIES		
Net loss for the period	\$ (6,086,609)	\$ (8,179,060)
Items not affecting cash:		
Depreciation and amortization	404,494	941,478
Accretion expense	-	89,362
Gain on sale of assets	(2,915,810)	-
Loss on disposal of assets	132,981	-
CCAA settlement	1,200,000	-
Stock based compensation	-	507,151
Gain on derivative liabilities	-	(414,491)
	<u>(7,264,944)</u>	<u>(7,055,560)</u>
Changes in non-cash working capital:		
Trade and other receivables	19,169,708	369,616
Inventory	503,749	1,584,578
Trade and other payables	(411,398)	1,650,696
Prepaid expenses	33,474	(237,666)
Deposits for properties	-	(1,050,000)
Current portion of leases	-	6,167
Short-term investments	-	(110,000)
Payroll liabilities	-	(114,191)
Short-term loan	-	1,746,199
Commission payable	978,840	-
	<u>20,274,373</u>	<u>3,845,399</u>
Cash flow from (used by) operating activities	<u>13,009,429</u>	<u>(3,210,161)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment, construction in progress and right of use assets	-	(1,761,217)
Purchase of intangible assets	-	(6,505,693)
Cash flow from (used by) investing activities	<u>-</u>	<u>(8,266,910)</u>

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ASCENT INDUSTRIES CORP.
CONSOLIDATED STATEMENT OF CASH FLOW *(continued)*
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2019 and May 31, 2018

	2019	2018
FINANCING ACTIVITIES		
Shares issued	-	7,710,063
Share issue costs	-	-
Advances to related parties	(105,536)	-
Finance lease	-	11,196
Repayment of loan payable	-	(1,912,996)
Cash flow from (used by) financing activities	(105,536)	5,808,263
OTHER CASH FLOW ITEMS		
Effect of exchange rate change on cash	2,659,645	4,714,105
(DECREASE) INCREASE IN CASH	15,563,538	(954,703)
CASH AND CASH EQUIVALENT - BEGINNING OF PERIOD	1,339,027	3,542,138
CASH AND CASH EQUIVALENT - END OF PERIOD	\$ 16,902,565	\$ 2,587,435

ASCENT INDUSTRIES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2019

1. NATURE OF OPERATIONS AND GOING CONCERN

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.

The consolidated financial statements as at and for the three and six months ended June 30, 2019 and May 31, 2018, include Ascent and its subsidiaries (together referred to as the "Company") and the Company's interest in affiliated companies.

The Company's primary activities relate to cannabis cultivation, processing, production, research, product and brand development, and distribution. The Company's Canadian licensing applications through its subsidiary Agrima, are currently under review by Health Canada.

These 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. In the three and six months ended June 30, 2019, the Company has incurred \$(2,195,470) and \$(6,042,463) in losses from operations, incurred net losses of \$(3,531,886) and \$(6,086,609) and has an accumulated deficit of \$44,695,176.

In the period ended March 31, 2019, the Company defaulted on certain debts and failed to secure proper licensing in Canada to produce and sell cannabis and cannabis related products. These events have substantially restricted access to continue operations and, as a result, the Company filed for protection under the Companies' Creditors Arrangement Act (the "CCAA"). While under CCAA protection, creditors and others are stayed from enforcing any rights against the Company. It is not possible to predict the outcome of matters related to the CCAA proceedings. As a result of the CCAA proceedings and other factors outlined below, a material uncertainty exists that cast significant doubt of the Company's ability to continue as a going concern.

On March 14, 2019 the Company, together with its subsidiaries Agrima Botanicals Corp., Bloom Holdings Ltd., Bloom Meadows Corp., Pinecone Products Ltd., and Agrima Scientific Corp. (collectively, the "Vendors") have entered into an asset purchase agreement with BZAM Management Ltd. (the "Purchaser"), an affiliate of Gulf Bridge Ltd., pursuant to which the Vendors have agreed to sell to the Purchaser substantially all of the assets comprising the Canadian business of the Vendors for cash and the Purchaser has agreed to assume the Vendors' obligations to purchase a greenhouse located in Pitt Meadows, British Columbia subsequent to closing of the agreement with the Vendors. The Company through its subsidiaries will continue to own the assets related to cannabis cultivation, production, distribution, research and product development business outside of Canada in Oregon, Nevada and Denmark.

The Company has financed its working capital requirements primarily through equity and debt financing. The Company's ability to continue as a going concern is dependent upon its ability satisfy its debts and leave CCAA protection and obtain necessary licensing 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 once it leaves CCAA protection. 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 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 CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance and basis of presentation

These condensed consolidated interim financial statements for the three months ended March 31, 2020 have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB.

The condensed consolidated interim financial statements were authorized for issue by the Board of Trustees on May 7, 2020.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended December 31, 2019.

(b) Basis of consolidation

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

(c) Changes in accounting policies

The Company has adopted IFRS 16 effective January 1, 2019 without restatement of comparative periods.

IFRS 16 eliminates the classification of operating leases and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods, changes the accounting for sale and leaseback arrangements, largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements.

As a result of the adoption of IFRS 16, the Company recorded a right-of-use asset and a corresponding lease liability.

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ASCENT INDUSTRIES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(d) Right-of-use lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for considerations. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

The contract involves the use of an identified asset and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose to asset is used is predetermined, the Company has the right to direct the use of the asset if either:

1. The Company has the right to operate the asset: or

2. The Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of buildings in which it: is a lessee, the Company has elected not to separate nonlease components and account for the lease and non-lease components as a single lease component.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease. The determination of whether an arrangement is, or

contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Right of use leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of comprehensive income.

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ASCENT INDUSTRIES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

A leased asset is amortized over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is amortized over the shorter of the estimated useful life of the asset and the lease term.

The Company has elected to recognize the lease payments associated with short term leases and leases for which the underlying asset is of low value as an expense on a straight-line basis over the lease term. The table below shows the effect of this election:

	Original classification under IAS 17	New classification under IFRS 16	Original amount under IAS 17	Reclassification amount	New carrying amount under IFRS 16
Building leases	Rent expense	Obligations under right-of- use lease	\$ 50,913	\$ -	\$ 50,913

3. SALE OF CANADIAN OPERATING ASSETS

	2019
<u>Sale of assets</u>	
Gross consideration	\$ 19,152,056
Less commission	(978,840)
Inventory	(541,877)
Prepays	(103,221)
Deposits and Construction in progress	(14,432,232)
Property, Plant & Equipment	(10,674,398)
Assumption of long-term debt	8,518,259
Assumption of derivative debt	1,976,063
	\$ 2,915,810

4. LOSS ON WRITE-DOWN OF ASSETS

The Company recorded a loss on the write-down of its assets in Canada and Denmark which were deemed to have no value, in the total amount of \$5,952,843. See Note 12: Intangible Assets.

5. CCAA PROTECTION

On March 1, 2019, by order of the Supreme Court of British Columbia, Ascent Industries Corp. along with the wholly owned subsidiaries, Agrima Botanicals Corp., Bloom Holdings Ltd., Bloom Meadows Corp., Pinecone Products Ltd., Agrima Scientific Corp., and West Fork Holdings NV Inc. (the "Petitioners") were granted protection under CCAA from its creditors under Vancouver Registry No. S-192188. Ernst & Young Inc. was appointed as Monitor of the Petitioners.

ASCENT INDUSTRIES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2019

6. TRADE AND OTHER RECEIVABLES

	June 30 2019	December 31 2018
Trade receivables	\$ 59,822	\$ 117,791
GST recoverable	747,255	668,689
	\$ 807,077	\$ 786,480

During the six months ended June 30, 2019 or the seven months ended December 31, 2018, no bad debt expense was recognized.

7. PREPAID EXPENSES

	June 30 2019	December 31 2018
Prepaid vendors	\$ 145,584	\$ 629,095
Deposits	60,674	531,219
Prepaid insurance	22,654	89,298
	\$ 228,912	\$ 1,249,612

8. DEPOSITS FOR PROPERTIES

	June 30 2019	December 31 2018
Deposit for Pitt Meadows property	\$ -	\$ 7,595,000
Deposits for US properties	6,472	-
	\$ 6,472	\$ 7,595,000

The deposit for the Pitt Meadows property was rationalized as part of the sale of Canadian operations in March of 2019.

ASCENT INDUSTRIES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2019

9. INVENTORY AND BIOLOGICAL ASSETS

	June 30 2019	December 31 2018
<u>Inventory</u>		
Supplies	\$ 112,642	\$ -
Packaging	587,101	750,214
Finished terpenes	-	215,230
Finished packaged goods	394,950	416,175
Finished unpackaged goods	-	637,815
	\$ 1,094,693	\$ 2,019,434

10. INVESTMENTS

During the year ended May 31, 2018, 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. The investee is privately held and there is no quoted market price for its common shares.

During the period ended December 31, 2018, the Company acquired an investment in Sebastiani Ventures Corp, a publicly traded company previously held by Paget Minerals Corp. The Company does not have significant influence or control over the investee.

	June 30 2019	December 31 2018
Enhanced Pet Sciences Corp.	\$ 360,000	\$ 360,000
Sebastiani Ventures Corp.	16,502	16,502
	\$ 376,502	\$ 376,502

ASCENT INDUSTRIES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2019

11. PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION IN PROGRESS AND RIGHT OF USE ASSETS

<u>Cost</u>	December 31, 2018			June 30 2019
	Balance	Additions	Disposals	Balance
Construction in progress	\$ 6,361,671	\$ -	\$ 6,361,671	\$ -
Land	1,321,159	-	653,982	667,177
Buildings	9,416,042	-	5,107,867	4,308,175
Computer equipment	504,840	-	433,629	71,211
Wireless network	87,003	-	87,003	-
Software	42,317	-	9,317	33,000
Mobile equipment	77,815	-	42,019	35,796
Furniture and fixtures	345,705	-	292,972	52,733
Security fencing and equipment	609,038	-	452,035	157,003
Tools and equipment	2,122,614	-	790,806	1,331,808
Leasehold improvements	3,835,024	-	1,475,676	2,359,348
New groundwork	133,182	-	133,182	-
Agriculture and lab equipment	2,896,968	-	2,890,445	6,523
Right-of-use assets	-	122,295	-	122,295
	\$ 27,753,378	\$ 122,295	\$ 18,730,604	\$ 9,145,069

<u>Accumulated Amortization</u>	December 31 2018		Accumulated Amortization on Disposals	June 30 2019
	Balance	Amortization		Balance
Construction in progress	\$ -	\$ -	\$ -	\$ -
Land	-	-	-	-
Buildings	(922,308)	(55,708)	(571,565)	(406,451)
Computer equipment	(192,991)	(12,278)	(182,217)	(23,052)
Wireless network	(87,003)	-	(87,003)	-
Software	(23,440)	(1,234)	(17,360)	(7,314)
Mobile equipment	(39,364)	(4,267)	(40,100)	(3,531)
Furniture and fixtures	(177,339)	(5,455)	(174,173)	(8,621)
Security fencing and equipment	(190,316)	(30,464)	(157,039)	(63,741)
Tools and equipment	(489,541)	(144,114)	(235,451)	(398,204)
Leasehold improvements	(398,687)	(122,033)	(161,000)	(359,720)
New groundwork	(68,225)	-	(68,225)	-
Agriculture and lab equipment	(1,415,486)	(28,941)	(1,443,344)	(1,083)
	\$ 4,004,700	\$ 404,494	\$ (3,137,477)	\$ (1,271,717)

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ASCENT INDUSTRIES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2019

11. PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION IN PROGRESS AND RIGHT OF USE ASSETS *(continued)*

<u>Cost</u>	June 1 2018			December 31 2018
	Balance	Additions	Disposals	Balance
Construction in progress	1,030,841	5,330,830	-	6,361,671
Land	1,287,270	33,889	-	1,321,159
Buildings	9,009,909	406,133	-	9,416,042
Computer equipment	258,150	246,690	-	504,840
Wireless network	87,003	-	-	87,003
Software	40,590	1,727	-	42,317
Mobile equipment	74,940	2,875	-	77,815
Furniture and fixtures	309,472	36,233	-	345,705
Security fencing and equipment	492,132	116,906	-	609,038
Tools and equipment	2,047,624	74,990	-	2,122,614
Leasehold improvements	3,311,089	523,935	-	3,835,024
New groundwork	133,182	-	-	133,182
Agriculture and lab equipment	2,253,848	643,120	-	2,896,968
	<u>20,336,050</u>	<u>7,417,328</u>	<u>-</u>	<u>27,753,378</u>

<u>Accumulated Amortization</u>	June 1 2018			December 31 2018
	Balance	Amortization	Disposals	Balance
Construction in progress	\$ -	\$ -	\$ -	\$ -
Land	-	-	-	-
Buildings	(779,100)	(143,208)	-	(922,308)
Computer equipment	(50,593)	(142,398)	-	(192,991)
Wireless network	(77,498)	(9,505)	-	(87,003)
Software	(16,204)	(7,236)	-	(23,440)
Mobile equipment	(16,965)	(22,399)	-	(39,364)
Furniture and fixtures	(160,171)	(17,168)	-	(177,339)
Security fencing and equipment	(98,746)	(91,570)	-	(190,316)
Tools and equipment	(422,240)	(67,301)	-	(489,541)
Leasehold improvements	(240,092)	(158,595)	-	(398,687)
New groundwork	(34,211)	(34,014)	-	(68,225)
Agriculture and lab equipment	(653,307)	(762,179)	-	(1,415,486)
	<u>\$ (2,549,127)</u>	<u>\$ (1,455,573)</u>	<u>\$ -</u>	<u>\$ (4,004,700)</u>

(continues)

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11. PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION IN PROGRESS AND RIGHT OF USE ASSETS *(continued)*

<u>Accumulated Amortization</u>	2018 Balance	Amortization	Disposals	2018 Balance
<u>Net book value</u>			June 30 2019	December 31 2018
Construction in progress			\$ -	\$ 6,361,671
Land			666,360	1,321,159
Buildings			4,132,572	8,493,734
Computer equipment			38,183	311,849
Wireless network			-	-
Software			4,467	18,877
Mobile equipment			19,913	38,451
Furniture and fixtures			37,770	168,366
Security fencing and equipment			103,845	418,722
Tools and equipment			682,565	1,633,073
Leasehold improvements			1,931,901	3,436,337
New groundwork			-	64,957
Agriculture and lab equipment			133,482	1,481,482
Right-of-use assets			122,295	-
			\$ 7,873,353	\$ 23,748,678

12. INTANGIBLE ASSETS

	June 30 2019	December 31 2018
Licenses	\$ 2,918,064	\$ 6,346,064
Software	3,987,224	4,212,221
	6,905,288	10,558,285
Accumulated amortization	-	(429,413)
	\$ 6,905,288	\$ 10,128,872

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13. FINANCE LEASE

The Company previously 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 were repayable over a period of 1 to 3 years expiring June 2018 and February 2020. The leases were disposed of as a result of the asset sale in 2019.

	June 30 2019	December 31 2018
Less than 1 year	\$ -	\$ 20,928
Between 1 and 3 years	-	1,744
Total minimum lease payments	-	22,672
Less: Amount representing interest at approximately 62.0%	-	(6,453)
Present value of minimum lease payments	-	16,219
Less: Current portion	-	(14,561)
Long term portion	\$ -	\$ 1,658

14. OBLIGATIONS UNDER CAPITAL LEASE

	2019	
Lease liabilities on buildings bearing interest at 5.70% per annum, due in 2020 and in 2021	\$ 183,442	\$ -
Amounts payable within one year	(136,335)	-
	\$ 47,107	\$ -

Future minimum capital lease payments are approximately:

2020	\$ 30,132
2021	20,781
Total minimum lease payments	50,913
Less: amount representing interest at various rates	3,806
	\$ 47,107

15. SHORT TERM DEBT PAYABLE

A wholly owned subsidiary of the Company had 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. The short term debt payable at December 31, 2018 was \$1,731,003. The mortgage was disposed of in the course of the asset sale in 2019.

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16. ACQUISITION

On June 26, 2018, the Company completed the acquisition of the net assets of First Circle Medical Pharmacy and Clinic pursuant to a Purchase Agreement (the "Agreement") dated June 26, 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.

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

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 Industries Corp. 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 December 31, 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 fair value of the assets and liabilities acquired was as follows:

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

For the period ended December 31, 2018, First Circle Medical Pharmacy and Clinic accounted for \$1,241,990 in net loss since June 28, 2018 which includes a goodwill impairment of \$1,073,000.

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17. 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 December 31, 2018 with the following assumptions:

December 31, 2018

1. Exercise price: \$0.35
2. Time to maturity: 1 year
3. Risk-free rate: 1.64%
4. Volatility: 70%
5. Dividend rate: nil

<u>Derivative liability</u>	
Balance June 1, 2018	875,695
Change in fair value	<u>1,100,368</u>
Balance December 31, 2018	1,976,063
Disposition of liability	<u>(1,976,063)</u>
	<u>\$ -</u>
<u>Loan payable</u>	
Balance June 1, 2018	\$ 3,821,278
Add: Accretion interest	<u>74,467</u>
Balance December 31, 2018	3,895,745
Disposition of liability	<u>(3,895,745)</u>
	<u>\$ -</u>

18. SHARE CAPITAL

Authorized:

- Unlimited Common shares with no par value
- Unlimited Preferred shares with no par value

(continues)

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18. SHARE CAPITAL *(continued)*

	June 30 2019	December 31 2018
Issued:		
320,151,457 Common shares	\$ 70,214,848	\$ 70,214,848

At June 30, 2019, there were 320,151,457 issued and fully paid common shares (December 31, 2018 - 320,151,457).

During the seven months ended December 31, 2018, the Company:

1. received \$916,667 pursuant to the exercise of warrants issued as a part of a series B non-brokered private placement.
2. 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.
3. issued 205,556 units as consideration for services at a price of \$0.36 and \$0.40 per share for total services of \$80,000.
4. issued 458,810 shares as consideration for services at a price of \$0.36 and \$0.40 per share for total services of \$191,200.
5. 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.
6. 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 transaction costs.
7. 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.
8. issued 7,996,000 units as part of a brokered public placement at a price of \$0.40 per unit for gross proceeds of \$3,198,400. 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.
9. issued 1,495,870 common shares at a deemed price of \$0.40 per share to former existing shareholders of Paget pursuant to closing of the Amalgamation.
10. issued 1,412,152 shares at a price of \$0.44 per shares for the purchase of equipment.
11. received \$1,970,232 pursuant to the exercise of warrants issued as a part of a Series D non-broker private placement and a brokered public placement.

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19. SHARE PURCHASE WARRANTS

Balance May 31, 2018	12,500,000	\$	0.250
Expired	(12,000,000)		0.250
Issued	2,885,130		0.400
Issued	33,493,741		0.500
Issued	56,581,500		0.600
Exercised	(51,796)		0.400
Exercised	(2,833,334)		0.500
Exercised	(1,796,499)		0.600
Balance December 31, 2018	88,778,742		0.250
Expired	(500,000)		0.600
Balance June 30, 2019	88,278,742	\$	0.550

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.

During the seven months ended December 31, 2018 the Company:

- 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.
- 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.
- 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.
- 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.
- 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.
- 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.

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19. SHARE PURCHASE WARRANTS *(continued)*

- received total gross proceeds of \$490,472 pursuant to the exercise of 1,226,180 public offering warrants at \$0.40 each.
- received total gross proceeds of \$486,875 pursuant to the exercise of 973,750 series D warrants at \$0.50 each.
- received total gross proceeds of \$1,127,900 pursuant to the exercise of 1,879,833 public offering warrants at \$0.60 each.

During the period ended June 30, 2019:

500,000 warrants at a deemed exercise price of \$0.60 expired.

The following table summarizes the warrants that remain outstanding as at June 30, 2019:

Exercise Price	Number of Warrants	Expiry Date
0.500	32,418,125	July 19, 2020
0.400	1,658,950	June 21, 2020
0.600	47,487,167	June 21, 2020
0.600	6,714,500	July 24, 2020
	88,278,742	

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.

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20. SHARE-BASED COMPENSATION

During the year ended May 31, 2018, the shareholders of the Company approved a Stock Option Plan to attract and retain directors, employees, officers and consultants for contributions towards the long-term goals of the Company.

The Company recorded \$nil for the period ended June 30, 2019 (\$734,161 in the seven months ended December 31, 2018) in share-based compensation expense related to options.

At May 31, 2018, the weighed average exercise price of options outstanding was \$0.40 and the weighed average remaining contractual life was 3.68 years based on a vesting period of four years.

At December 31, 2018, the weighed average exercise price of options outstanding was \$0.40 and the weighed average remaining contractual life was 4.10 years based on vesting periods of four to five years.

In the six months ended June 30, 2019, stock options expired or were cancelled when staff was terminated.

Balance June 1, 2017	-	\$	-
Options granted	12,470,000		0.40
Balance May 31, 2018	12,470,000		0.40
Options granted	50,000		0.40
Options granted	1,648,750		0.40
Options granted	600,000		0.40
Options forfeited/cancelled	(6,161,468)		0.40
Balance December 31, 2018	8,607,282	\$	0.40
Options cancelled	(8,607,282)		(0.40)
Balance June 30, 2019	Nil		

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 by applying the following assumptions:

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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21. SUPPLEMENTAL CASH FLOW INFORMATION

During the period ended December 31, 2018, 1,412,152 shares were issued for consideration of \$621,647 to be used for the purchase of equipment; 664,366 shares were issued for consideration of \$271,200 to be used for settlement of services provided; 562,500 shares were issued for \$225,000 for consideration in the acquisition of First Circle Medical Clinic Ltd.; and 3,194,445 shares and warrants were issued for \$1,150,000 for consideration for acquisition of properties in Pitt Meadows.

During the year ended December 31, 2019, obligation to issue shares in the First Circle Medical Pharmacy and Clinic acquisition was reversed in the amount of \$250,000; exercise of warrants related to same acquisition was reversed in the amount of \$298,597; and income taxes were paid in the amount of \$2,154.

22. SEGMENTED INFORMATION

The Company operates in two primary segments; medical cannabis and other. For the periods ended June 30, 2019 and December 31, 2018 operating segment information is as follows:

	Cannabis	Other	Total
For the period ended June 30, 2019			
Revenue	\$ 617,556	\$ -	\$ -
Gross profit (loss)	(551,025)	-	-
Income (loss) from operations	(2,212,158)	(3,830,305)	(6,042,463)
Net income (loss)	(1,929,830)	(4,156,779)	(6,086,609)
For the period ended December 31, 2018			
Revenue	\$ 1,568,014	\$ -	\$ 1,568,014
Gross profit (loss)	(1,683,258)	-	(1,683,258)
Income (loss) from operations	(2,897,858)	(9,440,907)	(12,338,765)
Net income (loss)	(2,965,059)	(14,402,795)	(17,367,854)
As at June 30, 2019			
Total assets	\$ 23,672,531	\$ 10,522,330	\$ 34,194,861
Total liabilities	5,348,784	224,569	5,573,353
As at December 31, 2018			
Total assets	\$ 24,331,474	\$ 22,921,131	\$ 47,252,605
Total liabilities	1,188,671	10,342,370	11,531,041

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 December 31, 2018 of the Denmark subsidiary are immaterial. Accordingly, the operations of the Denmark subsidiary do not constitute a segment. All revenues during the year ended December 31, 2018 were generated in Canada and the USA and all material assets and liabilities were located in Canada and the USA.

	Canada	USA	Total
For the period ended June 30, 2019			
Revenue	\$ -	\$ 617,556	\$ 617,556
Gross profit (loss)	-	(551,025)	(551,025)
Income (loss) from operations	(3,830,305)	(2,212,158)	(6,042,463)

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22. SEGMENTED INFORMATION *(continued)*

	Cannabis		
Net income (loss)	(4,156,779)	(1,929,830)	(6,086,609)
For the period ended December 31, 2018			
Revenue	\$ 26,465	\$ 1,541,549	\$ 1,568,014
Gross profit (loss)	143,659	(541,222)	(397,563)
Income (loss) from operations	(9,440,907)	(2,897,858)	(12,338,765)
Net income (loss)	(14,402,795)	(2,965,059)	(17,367,854)
As at June 30, 2019			
Total assets	\$ 23,672,531	\$ 10,522,330	\$ 34,194,861
Total liabilities	4,369,943	224,569	4,594,512
As at December 31, 2018			
Total assets	\$ 35,654,547	\$ 11,589,058	\$ 47,243,605
Total liabilities	11,193,949	337,092	11,531,041

23. RELATED PARTY TRANSACTIONS

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 periods ended June 30, 2019 and December 31, 2018:

	6 months ended June 30 2019	7 months ended December 31 2018
Received from company connected to directors and shareholders of Ascent Industries Corp.	\$ -	\$ 17,907
Received from a director for the purchase of shares	-	11,700
Received from a company that is a shareholder for the purchase of shares	-	94,260
Received from a company controlled by a director for the purchase of shares	-	916,667
Key Employees <i>(Management)</i>		
Salaries and benefits	\$ 100,000	\$ 524,652
Share-based payments	-	386,698
Management fees accrued to the CFO	100,024	-

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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24. 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 periods ended June 30, 2019 or December 31, 2018.

25. FINANCIAL INSTRUMENTS

The financial instruments recognized on the consolidated statement of financial position are comprised of cash and cash equivalents, trade and other receivables, investments, trade and other payables, short term debt payable, derivative liability, contingent consideration, and loans payable.

Fair value

The carrying values of cash and cash equivalents, 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.

Fair value measurements of investments, short term debt payable, derivative liability, contingent consideration, and loans payable are as follows:

	Carrying amount	Fair value measurements using		
		Level 1	Level 2	Level 3
June 30, 2019				
Investments	\$ 376,502	\$ 16,502	\$ -	\$ 360,000
Short-term loan payable	500,000	-	500,000	-
December 31, 2018				
Investments	376,502	16,502	-	360,000
Short term debt payable	1,731,003	-	1,731,003	-
Derivative liability	1,976,063	-	-	1,863,806
Contingent consideration	500,000	-	-	500,000
Loan payable	3,895,745	-	3,885,745	-

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

(continues)

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25. FINANCIAL INSTRUMENTS (*continued*)

As at June 30, 2019 and December 31, 2018, the Company measured its investment in Sebastiani Ventures Corp. at Level 1 fair value.

Level 2 – quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

The fair value of short term debt payable approximates its carrying value as it bears a fixed rate of interest of 8.5% per annum compounded monthly, which approximates a market rate for comparable transactions.

The fair value of loan payable approximates its carrying value as it bears a fixed rate of interest of 8% per annum, which approximates a market rate for comparable transactions.

Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The investment in Enhanced Pet Sciences Corp. is measured at fair value, but as the investment is privately held and there is no quoted market price for its common shares, fair value is deemed to be best represented by the initial acquisition price of the investment.

Contingent consideration classified as liabilities as part of the consideration paid for First Circle Medical Pharmacy and Clinic is a Level 3 financial liability. Contingent consideration was estimated by discounting to present value the probability-weighted contingent payments expected to be made. Assumptions used in these calculations probability of achieving the necessary milestones associated with the acquisition. The settlement of contingent consideration could differ from current estimated based on the actual results of these financial measures.

Derivative liability classified as liabilities as part of the consideration paid for the acquisition of the mortgage for the Las Vegas, NV property is a Level 3 financial liability and represents the 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. The settlement of the derivative liability could differ from current estimated based on the actual results of these financial measures.

There were no transfers between levels 1, 2 and 3 inputs during the period.

Risk Management

The Company is exposed to risks of varying degrees of significance from its use of financial instruments which could affect its ability to achieve its strategic objectives for growth and stakeholder returns. The principal risks to which the Company is exposed, and the actions taken to manage them, are described below.

(*continues*)

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25. FINANCIAL INSTRUMENTS (*continued*)

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its cash and cash equivalents and trade and other receivables. The risk exposure is limited to their carrying amounts at the balance sheet date. The risk is mitigated by holding cash and cash equivalents with highly rated Canadian financial institutions. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the financial institutions and the investment grade of its guaranteed investment certificates. Trade and other receivables primarily consist of trade accounts receivable and Goods and Services Tax recoverable ("GST").

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk, but has limited risk as the majority of sales are transacted with credit cards.

As at June 30, 2019 and December 31, 2018 all of the Company's trade receivables were current.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company has obtained primarily fixed rate debt which limits its exposure to interest rate fluctuations.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

At June 30, 2019 the contractual obligations related to financial liabilities were as follows:

	Less than 1 year	1 to 5 years	Total
Trade and other payables	\$ 3,972,217	-	\$ 3,972,217
Right-of-use lease	30,132	20,781	50,913

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26. SUBSEQUENT EVENTS

On December 19, 2019, by order of the Supreme Court of British Columbia, the Company settled outstanding claims in the amount of \$17,344,083 pursuant to the Plan of Compromise and Arrangement. The allowable claims were segregated into two classes:

- (i) the unaffected claims: claims below \$11,100 and paid in full;
- (ii) the affected claims: claims affected by the compromise - 51% of the original allowed amount paid.

In addition to the cash settlement of \$9,361,913 paid in final settlement, the Company issued the affected claimants the 35,572, 372 common shares with an aggregate value of \$889,309 to eligible affected shareholders on March 03, 2020.

The Company recorded a loss on its settlement with CCAA in the amount of \$5,280,251.

On March 6, 2020, the Company announced that it had implemented its first amended and restated consolidated plan of compromise, arrangement and organization (the "Plan") under the Companies' Creditors Arrangement Act ("CCAA"). Distributions under the Plan, as well as the issuance of common shares of Ascent that were to be issued pursuant to the terms of the Plan, have been completed. The Company was unable, however, to obtain a further extension of the stay of proceedings provided by the order obtained by the Company on January 28, 2020. Accordingly, the stay of proceedings expired on March 6, 2020 and the Company's CCAA proceedings concluded upon expiry of the stay.

The outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Company or its clients, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on the Company's business, the continued spread of COVID-19 and the measures taken by the federal, provincial and municipal governments to contain its impact could adversely impact the Company's business, financial condition or results of operations. The extent to which the COVID-19 outbreak impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.