



**LUFF ENTERPRISES LTD.**  
**(formerly Ascent Industries Corp.)**

**Condensed Consolidated Interim Financial Statements**

**Three Months Ended March 31, 2021 and 2020**  
(Expressed in Canadian Dollars)

## 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.

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**LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**(Expressed in Canadian Dollars)**  
**As at March 31, 2021 and December 31, 2020**

	Mach 31, 2021	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 958,636	\$ 1,932,363
Trade and other receivables (Note 4)	719,540	679,318
Prepaid expenses (Note 5)	30,343	60,729
Investments (Note 7)	408,204	408,204
Inventory (Note 6)	286,300	143,330
Note receivable (Note 10)	775,057	727,925
	<u>3,178,080</u>	<u>3,951,869</u>
Long-term assets		
Property held for sale (Note 8 & 9)	5,313,396	5,342,463
Property, plant & equipment, net (Note 8)	1,851,602	2,020,379
Intangible assets (Note 9)	35,905	23,344
Right of use asset (Note 11)	72,002	138,868
Accrued loan fees (Note 13)	66,397	66,477
Goodwill (Note 12)	6,396	6,396
	<u>\$ 10,523,778</u>	<u>\$ 11,549,796</u>
<b>Liabilities and shareholders' equity</b>		
Current liabilities		
Accounts payable, payroll and accrued liabilities	\$ 184,818	\$ 460,736
Current portion of right of use lease (Note 11)	136,013	141,758
Short term loan payable (Note 13)	2,000,000	2,000,000
Total Current Liabilities	<u>2,320,831</u>	<u>2,602,494</u>
Long-term liabilities		
Right of use lease (Note 11)	34,003	74,156
Loans payable (Note 14)	593,459	427,339
Total Liabilities	<u>2,948,293</u>	<u>3,103,989</u>
Shareholders' equity		
Share capital (Note 15)	72,103,643	72,046,643
Contributed surplus	1,734,012	1,734,012
Share based reserve (Note 17)	1,270,895	1,270,895
Accumulated other comprehensive income	(449,779)	(353,786)
Deficit	(67,083,286)	(66,251,957)
Total equity	<u>7,575,485</u>	<u>8,445,807</u>
Total liabilities and equity	<u>\$ 10,523,778</u>	<u>\$ 11,549,796</u>

**LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF OPERATIONS**  
**(Expressed in Canadian Dollars)**  
**Three Months Ended March 31, 2021 and 2020**

	March 31, 2021	March 31, 2020
Revenue:		
Sales	70,598	\$ 5,068
Cost of sales	47,445	1,015
Gross margin	<u>23,153</u>	<u>4,053</u>
Expenses:		
General and administration	475,699	1,521,007
Selling and marketing	135,478	-
Depreciation & amortization	277,005	202,374
	<u>888,182</u>	<u>1,723,381</u>
Loss from operations	<u>(865,029)</u>	<u>(1,719,328)</u>
Other (income) expenses		
Interest and other	(49,981)	(11,449)
CCAA Settlement	-	956,425
Accretion expense	1,881	-
	<u>(48,100)</u>	<u>944,976</u>
Loss Before Income Taxes and Comprehensive Income	(816,929)	(2,664,304)
Income tax expense	<u>14,400</u>	<u>-</u>
Net Loss	(831,329)	(2,664,304)
Comprehensive Income		
Currency translation adjustment	<u>(95,993)</u>	<u>105,176</u>
Comprehensive Loss	<u>\$ (927,322)</u>	<u>\$ (2,559,128)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding, diluted	<u>395,526,852</u>	<u>331,096,802</u>

**LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in Canadian Dollars)  
Three Months Ended March 31, 2021 and Periods Ended December 31, 2020 and 2019

	Common Shares		Share-based	Contributed	Accumulated	Deficit	Shareholders'
	Number	\$	reserve	Surplus	other comprehensive income (loss)	\$	Equity
			\$	\$	\$	\$	\$
<b>As at December 31, 2019</b>	320,151,457	\$ 70,513,445	\$ 1,241,312	\$ 1,572,639	\$ (311,456)	\$ (59,813,910)	\$ 13,202,030
Shares issued for services <i>Note 17</i>	7,200,000	180,000	-	-	-	-	180,000
Shares issued for debt <i>Note 17</i>	35,572,372	889,309	-	-	-	-	889,309
Shares issued in private placement <i>Note 17</i>	27,159,203	434,875	-	-	-	-	434,875
Warrants issued <i>Note 18</i>	-	10,999	-	161,373	-	-	172,372
Convertible debenture <i>Note 16</i>	-	22,576	-	-	-	-	22,576
Share issuance costs	-	(4,561)	-	-	-	-	(4,561)
Share based compensation	-	-	29,583	-	-	-	29,583
Currency translation adjustment	-	-	-	-	(42,330)	-	(42,330)
Net loss for the period	-	-	-	-	-	(6,438,047)	(6,438,047)
<b>As at December 31, 2020</b>	390,083,032	\$ 72,046,643	\$ 1,270,895	\$ 1,734,012	\$ (353,786)	\$ (66,251,957)	\$ 8,445,807
Share based compensation	5,700,000	57,000	-	-	-	-	57,000
Currency translation adjustment	-	-	-	-	(95,993)	-	(95,993)
Net loss for the period	-	-	-	-	-	(831,329)	(831,329)
<b>As at March 31, 2021</b>	395,783,032	\$ 72,103,643	\$ 1,270,895	\$ 1,734,012	\$ (449,779)	\$ (67,083,286)	\$ 7,575,485

**LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW**  
**(Expressed in Canadian Dollars)**  
**Three Months Ended March 31, 2021 and 2020**

	3 months ended March 31, 2021	3 months ended March 31, 2020
Cash provided by (used for):		
Operating activities:		
Net Loss for the period	\$ (831,329)	\$ (2,664,304)
Items not affecting cash:		
Depreciation & amortization	277,005	202,374
Accretion expense	1,881	-
Share based compensation	57,000	-
CCAA Settlement	-	956,425
FX adjustments	(36,896)	-
Changes in non-cash working capital balances:		
Receivables	(41,649)	933
Prepaid expenses	(11,855)	(10,093)
Inventory	(147,754)	-
Accounts payable, payroll and accrued liabilities	(292,098)	(94,225)
Cash used by operating activities	<u>(1,025,696)</u>	<u>(1,608,890)</u>
Investing activities:		
Purchase property, plant and equipment	(17,815)	-
Note receivable, related party	(47,132)	(727,925)
Cash provided (used) by investing activities	<u>(64,947)</u>	<u>(727,925)</u>
Financing activities:		
Change in right of use asset	(46,950)	2,541
Proceeds on long-term debt	165,257	-
Advances from related parties	-	(1,049,834)
Cash used by financing activities	<u>118,307</u>	<u>(1,047,293)</u>
Increase (Decrease) in cash and cash equivalents	(972,336)	(3,384,108)
Effect of exchange rate changes on cash	(1,391)	1,210,592
Cash and cash equivalents, beginning of period	<u>1,932,363</u>	<u>3,993,021</u>
Cash and cash equivalents, end of period	<u>\$ 958,636</u>	<u>\$ 1,819,505</u>

### **Note 1 – Nature of Operations and Going Concern**

The Company was incorporated under the Business Corporations Act (British Columbia) on May 30, 2013 under the name Ascent Industries Corp. (“Ascent”). On May 15, 2020 the Company changed its name to Luff Enterprises Ltd. (“Luff” “the Company”). The Company’s head office and principal address is located at Suite 800 – 543 Granville Street, Vancouver, BC V6C 1X8.

The condensed consolidated interim financial statements as at and for the three months ended March 31, 2021 should be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

The Company’s primary activities relate to the production of cannabinoid consumer packaged goods using THC free product. The Company holds licenses for cannabis processing, production, research, product and brand development, and distribution that could be used in the future.

These consolidated interim 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 months ended March 31, 2021 the Company has generated \$70,598 in revenues from operations and incurred a net loss of \$831,329 (revenues of \$20,080 and a net loss of \$6,438,047 in the year ended December 31, 2020). As of March 31, 2021, the Company had an accumulated deficit of \$67,083,286 (accumulated deficit of \$66,251,957 at December 31, 2020).

In the year ended December 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 substantially restricted access to continue operations and, as a result, the Company filed for protection under the Companies’ Creditors Arrangement Act (the “CCAA”). Effective May 26, 2020 the Company was discharged from this process, having settled with all claimants.

The Company through its subsidiaries owns the assets related to hemp cultivation, production, distribution, research and product development business outside of Canada in Oregon and Nevada.

These 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.

#### **COVID-19**

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.



## **Note 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, 2021, 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, 2020, which have been prepared in accordance with IFRS, as issued by the IASB.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 11, 2021.

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, 2020.

### b) Basis of consolidation

These interim condensed 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., 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.

In an effort to simply its corporate structure, in November 2020 the Company dissolved the following entities that had not been active for the past 12 months: Azeha Holdings, Inc., AIC Health Winnipeg, AICH Health Winnipeg Wellness, AIC Health Services Corp, Nalanda Health (Thunder Bay), Nalanda Health (Toronto), Sweet Cannabis CA Inc., West Fork Holdings CA, Inc., and Luff Enterprises CA, Inc.

## **Note 3 – CCAA Settlement**

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.

In addition to the cash settlement of \$9,361,913 paid in final settlement, 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 CCAA settlement expenses of \$1,716,216 for the year ended December 31, 2020.

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 stay of proceedings expired on March 6, 2020 and the Company's CCAA proceedings concluded upon expiry of the stay.

**Note 4 – Trade and Other Receivables**

	<b>March 31 2021</b>	December 31 2020
Trade receivables	\$ 51,410	\$ 15,279
GST recoverable	668,130	664,039
	<b>\$ 719,540</b>	<b>\$ 679,318</b>

In the three months ended March 31, 2021, no bad debt expense was recognized. During the year ended December 31, 2020 approximately \$112,000 of GST recoverable was written off as a result of the reassessment of the GST recoverable amount.

**Note 5 – Prepaid Expenses**

	<b>March 31 2021</b>	December 31 2020
Prepaid vendors	\$ 18,223	\$ 6,488
Deposits	12,120	54,241
	<b>\$ 30,343</b>	<b>\$ 60,729</b>

**Note 6 – Inventory**

	<b>March 31 2021</b>	December 31 2020
Packaging	\$ 71,050	\$ 48,971
Ingredients and cannabinoids	57,700	31,956
Finished goods	157,550	62,403
	<b>\$ 286,300</b>	<b>\$ 143,330</b>

Inventory expense was \$47,445 for the three months ending March 31, 2021 (\$3,547 for the year ended December 31, 2020), and there were no write downs of inventory for the three months ending March 31, 2021 and for the year ending December 31, 2020.

**Note 7 – Investments**

During the year ended May 31, 2018, the Company invested in Enhanced Pet Sciences Corp. (EPS), a privately held, startup company that is developing consumer packaged goods 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.

Through its amalgamation with Paget Minerals Corp in August 2018, the Company acquired a 1.5% royalty in the Buck claim within the Capoose block of the Blackwater Gold-Silver Project (the Project). There is uncertainty as to the collectability of the royalty as the Buck Claim was not part of the feasibility study completed recently by the Project owner. The investment is held at fair value, and management believes that \$nil is the fair value at March 31, 2021 and December 31, 2020.

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.

Also, through its amalgamation with Paget Minerals, the Company acquired the right to future payments, made primarily in shares, from Evrim Resources (Evrin), of third party and/or joint venture projects related to the Ball Creek Project. Evrim entered into a joint venture project with Golden Ridge Resources, Ltd., in 2019. The Company has received 144,102 shares in Golden Ridge Resources Ltd., pursuant to the agreement. These shares are still held and are valued at fair market value. The right to additional payments was acquired by Orogen Royalties in 2020 for \$20,000.

	<b>March 31</b>	December 31
	<b>2021</b>	2020
Enhanced Pet Sciences Corp.	\$ 360,000	\$ 360,000
Golden Ridge Resources Ltd.	31,702	31,702
Sebastiani Ventures Corp.	16,502	16,502
	<b>\$ 408,204</b>	<b>\$ 408,204</b>

**Note 8 – Property, Plant and Equipment and Right of Use Asset**

Cost	December 31		Adjustments/		March 31
	2020	Additions	Transfers	Disposals	
Land	\$ 666,159	\$ -	\$ -	\$ -	\$ 666,159
Buildings	4,301,602	-	-	-	4,301,602
Computer equipment	74,259	-	-	-	74,259
Software	7,146	-	-	-	7,146
Mobile equipment	32,950	-	-	-	32,950
Furniture and fixtures	52,653	-	-	-	52,653
Security equipment	185,359	-	-	-	185,359
Lab equipment	1,419,637	5,183	-	-	1,424,820
Leasehold improvements	2,355,748	-	-	-	2,355,748
Right of use assets	277,737	-	-	-	277,737
	<b>\$ 9,373,250</b>	<b>\$ 5,183</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,378,433</b>

**LUFF ENTERPRISES LTD. (formerly Ascent Industries Corp.)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**Three Months Ended March 31, 2021 and Year Ended December 31, 2020**  
**(Expressed in Canadian Dollars)**

**Note 8 – Property, Plant and Equipment and Right of Use Asset, continued**

<u>Accumulated Amortization</u>	<u>December 31 2020</u>	<u>Additions</u>	<u>Adjustments/ Transfers</u>	<u>Disposals</u>	<u>March 31 2021</u>
Buildings	\$ (331,924)	\$ (26,885)	\$ -	\$ -	\$ (358,809)
Computer equipment	(69,403)	(6,188)	-	-	(75,591)
Software	(6,253)	(595)	-	-	(6,848)
Mobile equipment	(26,772)	(2,059)	-	-	(28,831)
Furniture and fixtures	(30,690)	(2,633)	-	-	(33,323)
Security equipment	(169,757)	(14,702)	-	-	(184,459)
Lab equipment	(1,026,707)	(88,889)	-	-	(1,115,596)
Leasehold improvements	(777,791)	(58,894)	-	-	(836,685)
Right of use assets	(138,869)	(66,866)	-	-	(205,735)
	<u>\$ (2,578,166)</u>	<u>\$ (267,711)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,845,877)</u>

<u>Cost</u>	<u>December 31 2019</u>	<u>Additions</u>	<u>Adjustments/ Transfers</u>	<u>Disposals</u>	<u>December 31 2020</u>
Land	\$ 667,177	\$ -	\$ (1,018)	\$ -	\$ 666,159
Buildings	4,308,175	-	(6,573)	-	4,301,602
Computer equipment	71,211	3,157	(109)	-	74,259
Software	7,157	-	(11)	-	7,146
Mobile equipment	33,000	-	(50)	-	32,950
Furniture and fixtures	52,733	-	(80)	-	52,653
Security equipment	185,642	-	(283)	-	185,359
Tools and equipment	1,114,513	-	(1,114,513)	-	-
Lab equipment	223,818	83,348	1,112,471	-	1,419,637
Leasehold improvements	2,359,348	-	(3,600)	-	2,355,748
Right of use assets	244,589	277,737	(244,589)	-	277,737
	<u>\$ 9,267,363</u>	<u>\$ 364,242</u>	<u>\$ (258,355)</u>	<u>\$ -</u>	<u>\$ 9,373,250</u>

**LUFF ENTERPRISES LTD. (formerly Ascent Industries Corp.)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
 Three Months Ended March 31, 2021 and Year Ended December 31, 2020  
 (Expressed in Canadian Dollars)

**Note 8 – Property, Plant and Equipment and Right of Use Asset, continued**

<u>Accumulated Amortization</u>	<u>December 31 2019</u>	<u>Additions</u>	<u>Adjustments/ Transfers</u>	<u>Disposals</u>	<u>December 31 2020</u>
Buildings	\$ (224,384)	\$ (107,540)	\$ -	\$	\$ (331,924)
Computer equipment	(44,850)	(24,621)	68		(69,403)
Software	(3,877)	(2,382)	6		(6,253)
Mobile equipment	(17,875)	(8,924)	27		(26,772)
Furniture and fixtures	(20,191)	(10,531)	32		(30,690)
Security equipment	(111,119)	(58,808)	170		(169,757)
Tools and equipment	(570,426)	-	570,426		-
Lab equipment	(118,149)	(339,183)	(569,375)		(1,026,707)
Leasehold improvements	(543,044)	(235,574)	827		(777,791)
Right of use assets	(192,569)	(138,869)	192,569		(138,869)
	<u>\$ (1,846,484)</u>	<u>\$ (926,432)</u>	<u>\$ 194,750</u>	<u>\$ -</u>	<u>\$ (2,578,166)</u>

<u>Net Book Value</u>	<u>December 31 2020</u>	<u>December 31 2020</u>
Land	\$ 666,159	\$ 666,159
Buildings	3,942,793	3,969,678
Computer equipment	(1,332)	4,856
Software	298	893
Mobile equipment	4,119	6,178
Furniture and fixtures	19,330	21,963
Security equipment	900	15,602
Lab equipment	309,224	392,930
Leasehold improvements	1,519,063	1,577,957
Right of use assets	72,002	138,868
	<u>\$ 6,532,556</u>	<u>\$ 6,795,084</u>

Approximately \$4.6 million of the assets above, included in land and buildings, located in the United States are currently shown as held for sale on the interim consolidated statement of financial position. The assets consist of a warehouse building and land in Las Vegas, NV, and are reported with our Hemp Operations operating segment. The Company expects that a sale will close sometime in 2021.

**Note 9 – Intangible Assets**

	<u>March 31 2021</u>	<u>December 31 2020</u>
Licenses	\$ 827,538	\$ 1,131,475
Accumulated amortization	(87,189)	(77,895)
	<u>\$ 740,349</u>	<u>\$ 1,053,580</u>

Amortization expense of \$9,294 was recorded in the three months ended March 31, 2021 (\$28,183 was recorded in the year ended December 31, 2020) and included with depreciation and amortization in the interim consolidated statement of operations.

**Note 9 – Intangible Assets, continued**

Approximately \$704,000 of the licenses are shown as held for sale on the interim consolidated statement of financial position and reported in the Hemp Operations operating segment. Based on a preliminary offer for these licenses, and what management believes is the net realizable value for these licenses, an impairment of \$323,610 was recorded during the year ended December 31, 2020. No further impairment has been recorded in the three months ended March 31, 2021. A sale is expected to close on these licenses sometime in 2021.

**Note 10 – Loan Receivable**

On January 28, 2020 the Company entered into a secured loan agreement with Enhanced Pet Sciences Corp (the Borrower) for US\$500,000 (CAD\$727,925). The loan bears interest at 8% per annum and was due on December 31, 2020. The principals of the borrower have provided guarantees and have provided collateral security. On April 15, 2021, a revised agreement was signed that extended the maturity of the loan to December 31, 2021 and the outstanding interest of US\$36,995 (CAD\$49,629) was rolled into the principal balance of the loan making the outstanding loan balance US\$536,995 (CAD\$775,057). The agreement also allows for the Company to convert the loan into shares of the Borrower at a value of \$.20 per common share with 10 days written notice at any time up to the repayment date. The interest and security collateral terms remained the same.

**Note 11 – Obligations Under Right-of-Use Lease**

		<b>March 31 2021</b>		December 31 2020
Lease liability bearing interest at 4.25% per annum, payable in monthly payments of \$12,680 due in June 2022	\$	<b>170,016</b>	\$	215,914
Amounts payable within one year		<b>(136,013)</b>		(141,758)
	\$	<b>34,003</b>	\$	74,156

**Future payments are as follows:**

2021	\$	105,037
2022		77,308
Total Minimum Lease Payments		182,345
Less: Amount representing interest		(12,329)
Present value of minimum lease payments		170,016
Less: Current portion		(136,013)
	\$	<b>34,003</b>

**Note 12 – Acquisition**

On October 23, 2020, the Company purchased Wholesome Holdings, Inc. for a purchase price of \$6,396, recorded as goodwill on the interim consolidated statement of financial position at December 31, 2020. The purchase provided the Company with access to already established CBD merchant service accounts, bank accounts and a fulfillment account with a third-party logistics provider. The acquisition was a strategic decision inline with the Company's business plan to launch ecommerce marketplaces to access the national CBD market in the United States. Management determined that this acquisition did not meet the requirements of being recorded as a business combination and therefore it was recorded as an asset acquisition. No impairment of this goodwill has been deemed necessary by management for the three months ended March 31, 2021.

**Note 13 – Short Term Note Payable**

On December 18, 2020, the Company closed a \$2,000,000 short term financing, made up of \$500,000 from Safeco Developments Ltd and \$1,500,000 from Interdiam Investments Corp. The loan matures on September 18, 2021 and is payable in interest only payments with the principal payable in full at maturity. Interest accrues at 12% per annum. Interest expense recognized in the interim consolidated statement of operations is \$60,000 for the three months ended March 31, 2021 (9,836 for the year ended December 31, 2020). 12,000,000 warrants were issued to the lenders at a conversion price of \$0.025 expiring in 24 months. The Company also accrued approximately \$66,000 of loan fees to be amortized over the life of the loan.

**Note 14 – Convertible Debenture and Long-Term Liabilities**

On May 28, 2020, the Company issued a three-year unsecured convertible debenture having a principal amount of \$438,000 (the "Convertible Debenture") to a company controlled by a shareholder of the Company for the reimbursement of costs incurred by the shareholder in connection with the CCAA proceedings deemed of benefit and in the interest of the Company. The Convertible Debenture is convertible into 17,520,000 Common shares of the Company at the election of the shareholder, at any time and by the Company's election, during any period where the 20-day weighted average trading price of the Company's common shares is \$0.10 or greater.

The Convertible Debenture is presented on the interim consolidated statement of financial position as follows:

	<b>March 31 2021</b>	December 31 2020
Principal balance	\$ <b>429,221</b>	\$ 427,339
Debt discount balance	\$ <b>22,576</b>	\$ 22,576

The Convertible Debenture has been discounted to its net present value using a coupon rate of 6% and a yield rate of 8%. The debt discount is amortized over the term of the note using the effective interest rate. Accretion expense of \$1,881 is included in the interim consolidated statement of operations for the three months ended March 31, 2021 (\$11,915 for the year ended December 31, 2020). The debt discount balance of \$22,576 is included in equity on the interim consolidated statement of financial position.

**Note 14 – Convertible Debenture and Long-Term Liabilities, continued**

On February 16, 2021, the Company received loan proceeds in the amount of \$130,607 USD (\$164,238 CAD) under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act, provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying businesses. The loans and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Company has yet to apply for forgiveness as of the date of these interim consolidated financial statements.

**Note 15 – Share Capital**

	<b>March 31</b>	December 31
	<b>2021</b>	2020
Authorized:		
Unlimited common and preferred shares with no par value		
Issued:		
395,526,852 Common Shares	\$ <b>72,103,643</b>	\$ 72,046,643

At March 31, 2021, there were 395,526,852 issued and fully paid common shares (December 31, 2020 390,083,032).

On January 5, 2021, 5,700,000 restricted stock units at a price of \$.01 per share were issued to employees under the Amended and Restated Stock Option and Restricted Share Unit Plan. See Note 17.

On March 3, 2020, the Company issued 35,572,372 common shares at a price of \$0.025 per share under the Plan of Compromise, Arrangement and Reorganization (Note 5). On May 15, 2020, the Company issued 7,200,000 common shares at a price of \$.025 per share to settle professional services debts.

On September 22, 2020, the Company completed a non-brokered Private Placement issuing 27,159,203 common shares at a price of \$0.016 per share for gross proceeds of \$434,875. All securities issued under the Private Placement are subject to a four month hold period expiring January 22, 2021, in accordance with applicable securities laws. Finder's fees of \$1,340 were paid in connection with the offering.

**Note 16 – Share Purchase Warrants**

	<b>Amount</b>	Value per Share
Balance, December 31, 2018	<b>88,778,742</b>	0.250
Expired	<b>(350,000)</b>	0.600
Balance, December 31, 2019	<b>88,428,742</b>	\$ 0.050
Issued	<b>12,000,000</b>	0.025
Balance, March 31, 2021 and December 31, 2020	<b>100,428,742</b>	\$ 0.038

On June 11, 2020, the Company issued a Supplemental Indenture whereby all outstanding warrants were repriced to a reduced exercise price of \$0.05 per warrant and an extended expiration date of June 24, 2021. The fair value of the warrants at the date of grant was estimated to be \$161,373 based on the following weight average assumptions: stock price volatility – 85%, risk free rate - .25%, dividend yield – 0.00% and expected life of 12 months.



**Note 16 – Share Purchase Warrants, continued**

The Company also issued 12,000,000 warrants in connection with a short-term financing that was closed on December 23, 2020 (see Note 13). These warrants were issued at a price of \$0.025 and expire on December 23, 2022. The fair value of the warrants at the date of grant was estimated to be \$10,999 based on the following weight average assumptions: stock price volatility – 85%, risk free rate - .25%, dividend yield – 0.00% and expected life of 24 months.

The following table summarizes the warrants that remain outstanding as at March 31, 2021:

Exercise Price	Number of Warrants	Expiry Date
\$0.05	88,428,742	June 24, 2021
\$0.025	12,000,000	December 23, 2022

**Note 17 – 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 directors approved the continuance of this plan in June 2020 by reserving 10% of the issued and outstanding shares for stock options.

At the October 29, 2020 board meeting the Directors of the Company voted to adopt the Amended and Restated Stock Option and Restricted Share Unit Plan (the Amended Plan). The Amended Plan now includes Restricted Share Units (RSUs) as a form of employee compensation. The Directors also approved 15,000,000 RSUs to be granted to executive management and directors, vesting over a two-year period. RSUs vest at current market value per share. 5,700,000 RSUs were issued during the three months ended March 31, 2021 (none in 2020). In addition, 4,000,000 stock options were granted to employees vesting over a four-year period at an exercise price of \$0.02 per share. Share based compensation expense of \$nil was recognized in the interim consolidated statements of operations for the three months ended March 31, 2021 (\$29,583 for the year ended December 31, 2020).

**Note 18 – Supplemental Cash Flow Information**

On March 3, 2020 the Company issued 35,572,372 common shares having an inferred value of \$889,309 in relation to the final settlement of Affected Creditor claims under CCAA proceedings.

On May 15, 2020, the Company issued 7,200,000 common shares at a price of \$.025 per share to settle professional services debts.

On May 28, 2020, the Company issued a three-year unsecured convertible debenture having a principal amount of \$438,000 (the “Convertible Debenture”) to a company controlled by a shareholder for the reimbursement of costs incurred the shareholder in connection with the CCAA proceedings deemed of benefit and in the interest of the Company. (See Note 14).

**LUFF ENTERPRISES LTD. (formerly Ascent Industries Corp.)**  
**Notes to the Interim Condensed Consolidated Financial Statements**  
**Three Months Ended March 31, 2021 and Year Ended December 31, 2020**  
**(Expressed in Canadian Dollars)**

**Note 19 – Segmented Information**

The Company generates revenue in two distinct segments: Hemp products and other. All revenues during the three months ended March 31, 2021 and the year ended December 31, 2020 were generated in the hemp products segment and all material assets and liabilities are located in the hemp products segment.

	<u>Hemp Products</u>	<u>Other</u>	<u>Total</u>
For the year ended March 31, 2021			
Revenue	\$ 70,598	\$ -	\$ 70,598
Gross profit (loss)	23,153	-	23,153
Income (loss) from operations	(865,029)	-	(865,029)
Net income (loss)	(831,329)	-	(831,329)
For the year ended December 31, 2020			
Revenue	\$ 20,080	\$ -	\$ 20,080
Gross profit (loss)	16,533	-	16,533
Income (loss) from operations	(4,097,597)	-	(4,097,597)
Net income (loss)	(6,438,047)	-	(6,438,047)
As at March 31, 2021			
Total assets	\$ 10,523,778	\$ -	\$ 10,523,778
Total liabilities	2,948,293	-	2,948,293
As at December 31, 2020			
Total assets	\$ 11,549,796	\$ -	\$ 11,549,796
Total liabilities	3,103,989	-	3,103,989

The Company generates revenue in two geographical locations: Canada and the USA. All revenues during the three months ended March 31, 2021 and the year ended December 31, 2020 were generated in Canada and the USA and all material assets and liabilities were located in Canada and the USA.

	<u>Canada</u>	<u>USA</u>	<u>Total</u>
For the year ended March 31, 2021			
Revenue	\$ -	\$ 70,598	\$ 70,598
Gross profit (loss)	-	23,153	23,153
Income (loss) from operations	(270,281)	(594,748)	(865,029)
Net income (loss)	(239,989)	(591,340)	(831,329)
For the year ended December 31, 2020			
Revenue	\$ -	\$ 20,080	\$ 20,080
Gross profit (loss)	-	16,533	16,533
Income (loss) from operations	(2,422,448)	(1,675,149)	(4,097,597)
Net income (loss)	(5,043,135)	(1,394,912)	(6,438,047)
As at March 31, 2021			
Total assets	\$ 2,662,541	\$ 7,861,237	\$ 10,523,778
Total liabilities	2,567,216	381,077	2,948,293
As at December 31, 2020			
Total assets	\$ 3,805,277	\$ 7,744,519	\$ 11,549,796
Total liabilities	2,695,351	408,638	3,103,989

**Note 20 – 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:

	<b>Three Months Ended March 31 2021</b>	<b>Year ended December 31 2020</b>
<i>Key Employees (management)</i>		
Salaries and benefits	\$ 245,076	\$ 328,127
Management fees to the prior CFO	-	49,833
Fees accrued/paid to Directors	<b>27,000</b>	115,500

Upon resignation of the former CEO in January 2020, the Company entered into an escrow and settlement agreement whereby \$325,000 was placed into escrow to be paid to the former CEO in three installments. The final payment was made on January 1, 2021. 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.

**Note 21 – 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, which was \$9,565,142 at March 31, 2021 and \$9,617,433 at December 31, 2020. 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 three months ended March 31, 2021 or the year ended December 31, 2020.

**Note 22 – 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, right of use leases, trade and other payables, short term debt payable, loans receivable, 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.

**Note 22 – Financial Instruments, continued**

Fair value measurements of investments and loan receivable are as follows:

	Carrying Amount	Fair Value Measurements		
		Level 1	Level 2	Level 3
March 31, 2021				
Investments	\$ 408,204	\$ 48,204	\$ -	\$ 360,000
Loan receivable	775,057	-	775,057	-
Short-term note payable	2,000,000	-	2,000,000	-
Loans payable	593,459	-	593,459	-
December 31, 2020				
Investments	\$ 408,204	\$ 48,207	\$ -	\$ 360,000
Loan receivable	727,925	-	727,925	-
Short-term note payable	2,000,000	-	2,000,000	-
Loans payable	427,339	-	427,339	-

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.

As at March 31, 2021 and December 31, 2020, 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.

As at March 31, 2021 and December 31, 2020, the Company measured its loan to Enhanced Pet Sciences Corp., its short term loans payable and loans payable at Level 2 fair value as there is no active market for these items.

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.

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.

**Note 22 – 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 March 31, 2021 and December 31, 2020 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 March 31, 2021 the contractual obligations related to financial liabilities were as follows:

	Less than 1 year	1-5 Years	Total
Accounts payable, payroll and accrued liabilities	\$ 184,818	\$ -	\$ 184,818
Loan payable and convertible debenture	2,616,034	-	2,616,034
Right of use lease	105,037	77,308	182,345