Canbud Distribution Corporation

Unaudited Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2020 and 2019

(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 interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed an audit or review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada.

Canbud Distribution Corporation
Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	September 30, 2020	December 31, 2019
ASSETS			
Current			
Cash		$ **363,390**	$ 1,567,938
Promissory note receivable	6	**–**	19,270
Prepaid expenses and deposits	7	**17,670**	40,980
Other assets	8	**52,851**	14,473
Biological assets	9	**413,100**	–
Total current assets		**847,010**	1,642,661
Prepaid expenses and deposits	7	**52,285**	–
Property, plant, and equipment	10	**711,841**	–
Intangible assets	11	**232,744**	243,821
Total assets		$ **1,843,881**	$ 1,886,482
LIABILITIES			
Current			
Accounts payable and accrued liabilities	12	$ **122,611**	$ 222,572
Current portion of lease liability	13	**75,102**	–
Total current liabilities		**197,713**	222,572
Government loan	14	**34,036**	–
Lease liability	13	**350,418**	–
Total liabilities		**582,167**	3,270,210
SHAREHOLDERS' EQUITY			
Share capital	15	**2,134,697**	2,134,697
Deficit		**(886,552)**	(470,787)
Total equity attributable to the equity holders of the Company		**1,248,145**	1,663,910
Non-controlling interests	16	**13,569**	–
Total Equity		**1,261,714**	1,663,910
Total liabilities and Equity		$ **1,843,881**	$ 1,886,482

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENT LIABILITIES (Note 19)
SUBSEQUENT EVENTS (Note 20)

Approved on behalf of the board of directors:

"Raj Ravindran"
Director

"Robert Tjandra"
Director

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

Canbud Distribution Corporation
Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	Three months ended September 30 2020	Three months ended September 30 2019	Nine months ended September 30 2020	Nine months ended September 30 2019
Expenses:					
Amortization of intangible assets	11	**$ 11,997**	$ –	**$ 11,997**	$ –
Automobile		**1,753**	–	**2,990**	–
Business development		**9,134**	7,546	**119,575**	11,172
Business licenses and fees		**5,072**	590	**8,490**	1,442
Consulting		**80,950**	10,970	**245,558**	12,100
Credit losses (recovery)	6	**(1,000)**	–	**16,270**	–
Depreciation	10	**25,001**	–	**73,566**	–
Filing and listing fees		**300**	–	**13,316**	–
Interest expense	13	**7,603**	–	**21,346**	–
Insurance		**540**	–	**3,415**	–
Office and general		**14,695**	477	**46,962**	3,094
Professional fees		**11,220**	2,263	**121,813**	13,263
Rental		**5,146**	789	**15,556**	2,274
Salaries and wages		**–**	–	**13,418**	–
Supplies		**–**	–	**6,823**	–
Utilities		**–**	–	**2,686**	–
Write-down of intangible assets	11	**–**	–	**6,780**	–
Unrealized fair value adjustment on growth of biological assets	9	**(297,615)**	–	**(297,615)**	–
Loss before other income (expenses)		**125,204**	(22,635)	**(432,946)**	(43,345)
Other income (expenses):					
Accretion expense	14	**(609)**	–	**(794)**	–
Interest income		**350**	3,354	**3,820**	5,087
Government grant	14	**–**	–	**6,758**	–
Gain on sale of a subsidiary	8	**–**	–	**20,966**	–
Net loss for the period		**124,945**	(19,281)	**(402,196)**	(38,258)
Net loss and comprehensive loss for the period		**124,945**	(19,281)	**(402,196)**	(38,258)
Net loss attributable to:					
Equity holders of the Company		**96,480**	(19,281)	**(429,712)**	(38,258)
Non-controlling interests	16	**28,465**	–	**27,516**	–
		$ 124,945	$ (19,281)	**$ (402,196)**	$ (38,258)
Net loss and comprehensive loss attributable to:					
Equity holders of the Company		**96,480**	(19,281)	**(429,712)**	(38,258)
Non-controlling interests	16	**28,465**	–	**27,516**	–
		$ 124,945	$ (19,281)	**$ (402,196)**	$ (38,258)
Loss per share attributable to the equity holder of the Company					
Weighted average number of common shares		**38,288,000**	36,620,815	**38,288,000**	19,666,415
Loss per share – basic and diluted	15	**$ 0.00**	$ (0.00)	**$ (0.01)**	$ (0.00)

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

Canbud Distribution Corporation
Unaudited Condensed Interim Consolidated Statements of Changes in Shareholder's Equity (Deficit)
(Expressed in Canadian dollars)

	Number of issued and outstanding shares	Share Capital	Deficit	Attributable to owners of Canbud	Non-controlling interests	Total Equity
Balance, December 31, 2019	**38,288,000**	**$ 2,134,697**	**$ (470,787)**	**$ 1,663,910**	**$ –**	**$ 1,663,910**
Increase in non-controlling interests	–	–	13,947	13,947	(13,947)	–
Net loss for the period	–	–	(429,712)	(429,712)	27,516	(402,196)
Balance, September 30, 2020	**38,288,000**	**$ 2,134,697**	**$ (886,552)**	**$ 1,248,145**	**$ 13,569**	**$ 1,261,714**

	Number of issued and outstanding shares	Share Capital	Deficit	Attributable to owners of Canbud	Non-controlling interests	Total Equity
Balance, December 31, 2018	**–**	**$ –**	**$ (12)**	**$ (12)**	**$ –**	**$ (12)**
	5,000	100	–	100	–	100
Founders' shares issue	19,995,000	399,900	–	399,900	–	399,900
First private placement	16,525,000	1,652,500	–	1,652,500	–	1,652,500
Share issue costs	–	(48,375)	–	(48,375)	–	(48,375)
Net loss for the period	–	–	(38,258)	(38,258)	–	(38,258)
Balance, September 30, 2019	**36,525,000**	**$ 2,004,125**	**$ (38,270)**	**$ 1,965,855**	**$ –**	**$ 1,965,855**

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

Canbud Distribution Corporation
Unaudited Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

For the nine months ended September 30,	**2020**	2019
Operating activities:		
Net loss for the period	**$ (402,196)**	$ (38,258)
Items not affecting cash:		
Unrealized fair value adjustment on growth of biological assets	**(297,615)**	–
Accretion expense	**794**	–
Depreciation	**73,566**	–
Amortization of intangible assets	**11,997**	–
Credit losses	**16,270**	–
Interest expense on leases	**21,346**	–
Government grant	**(6,758)**	–
Net gain from deconsolidation of a subsidiary	**(20,966)**	–
Write-off of intangible assets	**6,780**	–
Changes in non-cash working capital items:		
Net change in prepaid expenses and deposits	**(28,975)**	(15,000)
Net change in other assets	**(38,378)**	–
Net change in biological assets associated with cash	**(111,977)**	–
Net change in accounts payable and accrued liabilities	**(118,324)**	7,989
Total cash flows used in operating activities	**(894,436)**	(45,269)
Investing activities:		
Additions to property, plant, and equipment	**(291,712)**	(1,020)
Additions to intangible assets	**(19,850)**	(159,112)
Proceeds from sale of a subsidiary	**11,000**	–
Refund received from HIP Beverages Corporation	**16,950**	–
Promissory note repayments (advances)	**3,000**	(25,000)
Total cash flows used in investing activities	**(280,612)**	(185,132)
Financing activities:		
Proceeds on equity issuances and private placement	**–**	1,612,917
Proceeds from government loan	**40,000**	–
Payment of lease obligation	**(69,500)**	–
Total cash flows (used in) generated from financing activities	**(29,500)**	1,612,917
(Decrease) Increase in cash during the period	**(1,204,548)**	1,382,516
Cash and cash equivalents, beginning of the period	**1,567,938**	88
Cash and cash equivalents, end of the period	**$ 363,390**	$ 1,382,604

Additional supplementary cash flow information is as follows:

Interest paid	**$ 21,262**	$ –

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Canbud Distribution Corporation (the “Company” or “Canbud”) was incorporated under the *Canadian Business Corporations Act* on October 4, 2018 as Cannabis Clonal Corporation. On September 9, 2019, the Company changed its name to Canbud Distribution Corporation. The Company is a publicly listed company on the Canada Securities Exchange ("CSE") and trades under the ticker symbol “CBDX”. The Company is domiciled in Canada and its registered office is located at 120 Adelaide Street West, Suite 2500, Toronto, Ontario, M5H 1T1. The Company is a science and technology company focused on the global hemp space inclusive of hemp cannabinoids (CBD) regulated by Health Canada under the Industrial Hemp Regulations. As of September 30, 2020, the Company has obtained three licenses to grow Hemp CBD for the purposes of supplying the global market with medicinal and wellness CBD and other cannabinoids-based products on leased lands. Each licence allows the growing and harvesting of hemp CBD flowers for processing into CBD and other cannabinoids extracts.

The Company's subsidiaries and their incorporation dates are as follows:

- Alami Beauty Corporation (up to June 4, 2020) - Incorporated on May 24, 2019 under the *Canadian Business Corporation Act*;
- Canbud D580H124 Inc. – Incorporated July 23, 2019 under the *Ontario Business Corporation Act*;
- Canbud D2385NR Inc. - Incorporated October 22, 2019 under the *Ontario Business Corporation Act*;
- Canbud D1726KC Inc. - Incorporated October 31, 2019 under the *Ontario Business Corporation Act*; and
- Canbud DEPL Corp – Incorporated November 20, 2019 under the *Ontario Business Corporation Act*.

The Company is listed on the Canada Securities Exchange ("CSE"). The Company’s registered office address is 120 Adelaide Street West, Suite 2500, Toronto, Ontario.

Going concern

These unaudited condensed interim consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds to meet current and future obligations. These unaudited condensed interim consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

As at September 30, 2020, the Company had not commenced any commercial operations and had a deficit of $886,552 (December 31, 2019 - $470,787). For the nine months ended September 30, 2020, the Company’s net loss was $402,196 (September 30, 2019 - $38,258) and negative cash flows from operating activities was $894,436 (September 30, 2019 - $45,269). Whether, and when, the Company can start generating revenues, attain profitability and positive cash flows from operations has material uncertainty, which may cast significant doubt upon the Company's ability to continue as going concern. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and by raising capital to fund its operations. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which differ from those shown in these financial statements.

In March 2020, the World Health Organization declared a global pandemic caused by the outbreak of the novel coronavirus, specifically identified as "COVID-19". The outbreak has resulted in governments worldwide enacting emergency measures to combat the spread of virus. These measures, which include the implementation of travel bands, self-imposed quarantine periods and social distancing, have caused material disruption to business globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results of the Company in the future. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

2. STATEMENT OF COMPLIANCE

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and do not include all the information required for full annual consolidated financial statements required by IFRS as issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies used are those the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2020.

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2019.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on November 27, 2020.

3. BASIS OF PREPARATION

Functional and presentation currency
The unaudited condensed interim consolidated financial statements and the accompanying notes are presented in Canadian dollars which is the currency of the primary economic environment in which the Company operates in.

Basis of consolidation
Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity and expose itself to the variable returns from the entity's activities. The unaudited condensed interim consolidated financial statements include the results of subsidiaries' operations from the date that control commenced until the date that control ceases. The Company attributes total loss and comprehensive loss of subsidiaries between the shareholders of the Company and the non-controlling ("NCI") interests based on their respective ownership interests. All intra-group transactions and balances are eliminated in full on consolidation.

The Company's significant consolidated subsidiaries are listed below:

Alami Beauty Corporation ("Alami") – the Company held 51% (2019 – 100%) in Alami up to June 4, 2020. Alami issued 4,900 common shares of Alami to Mikono Beauty Inc. ("Mikono") on April 23, 2020, representing 49% interest in Alami. The Company, subsequently, sold its controlling 51% interest to Mikono on June 4, 2020 (Note 8).

Canbud D580H124 Inc. ("D580 Inc.") – the Company holds 60% (2019 - 100%) interest in D580 Inc. D580 Inc. entered into an agreement to lease 50 acres of farmland to grow industrial hemp under a licence from Health Canada which was issued August 16, 2019. On June 18, 2020, D580 Inc. issued 480 Class B non-voting common shares to landowners and transaction facilitators, which represents 40% interest in D580 Inc.

Canbud D2385NR Inc. ("D238 Inc.")- the Company holds 88.89 % (2019 - 100%) interest in D238 Inc. D238Inc. entered into an agreement to lease 55 acres of farmland to grow industrial hemp under a licence from Health Canada which was issued November 15, 2019. On June 18, 2020, D238 Inc. issued 120 Class B non-voting common shares to transaction facilitators, which represents 11.11% interest in D238 Inc.

Canbud D1726KC Inc. ("D172 Inc.") - the Company holds 88.89 % (2019 - 100%) interest in D172 Inc. D172 Inc. entered into an agreement to lease 85 acres of farmland to grow industrial hemp under a licence from Health Canada which was issued November 29, 2019. On June 18, 2020 and June 19, 2020, D172 Inc. issued 96 Class B non-voting common shares and 24 Class B non-voting common shares to transaction facilitators, respectively. The combined issuance of 120 class B non-voting common shares represents 11.11% interest in D172 Inc.

Canbud DEPL Corp ("DEPL Corp.") – the Company holds 94.75% (2019 - 100%) interest in D238 Inc. DEPL Corp. was established for distribution of CBD product into Germany and Poland in particular, and Europe in general. On June 18, 2020, DEPL Corp. issued 50 common shares to M. Ciuk, which represents 5.25% interest in DEPL Corp.

Intercompany balances, and any unrealized gains and losses or income and expenses arising from transactions with subsidiaries, are eliminated. Unrealized losses are eliminated to the extent of the gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests

Non-controlling interests exist in less than wholly owned subsidiaries of the Company and represent the outside interest's share of the carrying values of the subsidiaries. Non-controlling interests are recorded at their proportionate share of the fair value of identifiable net assets acquired as at the date of acquisition and are presented immediately after the equity section of the statement of financial position. When the subsidiary company issues its own shares to outside interests and does not result in a loss of control, a dilution gain or loss arises as a result of the difference between the Company's share of the proceeds and the carrying value of the underlying equity, an equity transaction, is included in equity.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2019 except as described below:

Newly adopted accounting policies

IFRIC 23 - Uncertainty Over Income Tax Treatments. IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12 – Income Taxes when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers uncertain tax treatments separately or as a group, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted.

Amendments to IFRS 3, Business Combinations ("IFRS 3") – Definition of a Business. In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements, added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test. Effective January 1, 2020, the Company adopted the amendments to IFRS 3, with no material impact on its interim condensed consolidated financial statements.

Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is not recorded on property, plant and equipment that is not yet available for use. An asset's residual value, useful life and depreciation method are reviewed on an annual basis and adjusted prospectively.

Gains or losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the unaudited condensed interim consolidated statements of loss. Depreciation is calculated using the straight-line method over the useful life of property and equipment. The useful life of the property, plant and equipment is as follows:

- Production and processing equipment: 2-8 years
- Computer and software: 3-5 years
- Vehicle: 3-5 years

Intangible assets

Intangible assets are stated at cost, net of accumulated amortization and accumulated impairment losses, if any. Amortization of intangible is recorded on a straight-line basis over the estimated useful life of five (5) years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Biological assets

The Company's biological assets consist of hemp plants which are not yet harvested. The Company capitalizes all direct and indirect costs, as incurred, related to the transformation of the biological assets between the point of initial recognition and the point of harvest, including labour related costs, grow consumables, materials, utilities, and facilities costs including an allocation of overhead costs related to depreciation on the production facility and equipment. The Company then measures the biological assets at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of internally produced work in progress and finished goods inventories after harvest. Unrealized gains or losses arising from changes in fair value less costs to sell are included in the net income (loss) and comprehensive income (loss) of the related period. Costs to sell includes post harvest production costs and fulfilment costs.

5. USE OF ESTIMATES AND JUDGMENTS

The preparation of these unaudited condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and reported amounts of expenses during the period. These estimates are, by their nature, uncertain. The impacts of such estimates are pervasive throughout the unaudited condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Expected credit losses
The Company applies the simplified approach as permitted by IFRS 9 for the expected credit loss (ECL) associated with financial assets. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Estimated useful lives and amortization of long-lived assets
Depreciation of Property and equipment and intangible assets are dependent upon estimates of useful lives which are determined through the exercise of judgments. The assessment of any impairment of these assets is dependent upon estimates recoverable amounts that take into account factors such as economic and market conditions and the useful lives of the assets.

Impairment of long-lived assets
Long-lived assets, including property and equipment and intangible assets are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.
Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the cash-generating unit to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Incremental borrowing rate and lease term on leases
The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease obligations, and the resulting interest and depreciation expense, may differ due to changes in the market conditions and lease term. Lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions. The Company's incremental rates at the commencement of the leases on January 1, 2020 was range from 4% to 10%.

Incremental borrowing rate on loan
The incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the loan may differ due to changes in the market conditions.

(Expressed in Canadian dollars)

Deferred tax
The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax loss carry forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore, do not necessarily provide certainty as to their recorded values.

Critical judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the unaudited condensed interim consolidated financial statements include, but are not limited to, the following:

Capitalization and write-off of intangible assets

An intangible asset arising from development is recognised on satisfying the following criterions by the entity:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Valuation of biological assets
Biological assets, consisting solely of plants, are measured at fair value less costs to sell up to the point of harvest. Determination of the fair values of the biological assets requires the Company to make a number of estimates, including estimating sales price, cost to complete and cost to sell, the stage of completion in the production process, expected plant loss and expected yield per plant.

Going concern
The Company's ability to execute its strategy by funding future working capital requirements requires significant judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

6. PROMISSORY NOTE RECEIVABLE

Balance, December 31, 2018	$	–
Promissory note principal amount		25,000
Repayments during the period		(4,500)
Allowance for expected credit losses		(1,230)
Balance, December 31, 2019		19,270
Repayments during the period		(3,000)
Allowance for expected credit losses		(16,270)
Balance, September 30, 2020	**$**	**–**

(Expressed in Canadian dollars)

The promissory note is a short-term non-interest-bearing loan to HIP Beverages Corporation ("HIP loan") with a maturity date of November 16, 2019. Given the HIP loan was not collected by the maturity date and the uncertainty of the recoverability of the HIP loan, the Company has recognized a full allowance or expected credit losses of $16,270 on the HIP loan for the period ended September 30, 2020.

7. PREPAID EXPENSES AND DEPOSITS

	September 30, 2020	December 31, 2019
Current	$	
Private placement fees	**5,000**	$ 5,000
Security deposit against office lease	–	3,638
Upfront office lease payment	–	6,542
Retainer for legal fees and services	**12,670**	10,000
Upfront farmland lease payments	–	4,500
Security deposit against farmland lease	–	11,300
Security deposit against equipment rental	**7,741**	–
	25,410	40,980
Long-term		
Security deposit on purchase of equipment	**52,285**	–
Total	$ **77,695**	$ 40,980

8. OTHER ASSETS

	September 30, 2020	December 31, 2019
Consulting fee refund	$ –	10,170
Due from Alami's purchaser [(i)]	**11,000**	–
Harmonized Sales tax recoverable	**41,851**	4,303
Total	$ **52,851**	$ **14,473**

[(i)] On June 2, 2020, the Company entered into a share purchase agreement with the holder of non-controlling interest (the "purchaser") of Alami Beauty Corporation to sell 5,100 Class A shares ("Alami shares"), representing 51% interest for $22,000. Pursuant to the share purchase agreement, the purchaser paid $11,000 upon signing and the remainder of $11,000, included in the other assets, is due before or on June 30, 2021. The share purchase agreement was closed on June 4, 2020, the same day that the Company issued Alami shares to purchaser. As a result of the sale, the Company recognized a gain on sale of a subsidiary of $20,966.

9. BIOLOGICAL ASSETS

Biological assets are comprised of:

	September 30, 2020
Balance as at December 31, 2019	$ –
Production costs capitalized	**138,335**
Effect of changes in fair value of biological assets less cost to sell	**274,765**
Balance as at September 30, 2020	$ **413,100**

(Expressed in Canadian dollars)

The Company values biological assets at the end of each reporting period at fair value less costs to sell in accordance with IAS 41 – Agriculture (“IAS 41”). The Company’s biological assets are primarily hemp plants, and because there is no actively traded commodity assets for plants or dried product, the valuation of these biological assets is obtained using valuation techniques where the inputs are based on unobservable market date (Level 3 in the IFRS fair value hierarchy).

Determination of the fair values of the biological assets requires the Company to make various estimates and assumptions. The significant estimates and inputs used to assess the fair value of the biological assets include the following assumptions as at September 30, 2020:

(a) Estimated weighted average selling prices– selling prices are based on the Company's average selling price per gram of CBD oil.
(b) Stage of plant growth – represents the weighted average number of days out of the 10 weeks growing cycle that biological assets have reached as at the measurement date (September 30, 2020).
(c) Expected yield by plant – represents the expected number of grams of CBD oil which are expected to be obtained from each harvested hemp plant.
(d) Post-harvest costs – calculated as the cost per gram of CBD oil, consisting of the cost of direct and indirect materials and labour related to extraction, labelling, packaging, and selling.

The Company’s estimates are, by their nature, subject to change. Changes in the anticipated yield will be reflected in future changes in the gain or loss on biological assets. The Company performed a sensitivity analysis on the fair value of biological assets using the most sensitive inputs to the fair value methodology. The following table quantifies each significant unobservable input and provides the impact of a 10% increase/decrease in each input would have on the fair value of biological assets as at September 30, 2020.

		September 30, 2020		10% change as at September 30, 2020
Expected weighted average selling price	$	80.01	$	48,600
Expected number of growing weeks		10	$	37,555
Average stage of completion (%)		90	$	41,310
Expected average yields for hemp plants (grams)		50	$	41,310
Weighted average of after harvest cost to complete and sell	$	19.60	$	36,690

The correlation between the inputs and fair value of the biological assets is as follows:

- If the average estimated selling price were higher (lower), the estimated fair value would increase (decrease).

- If the expected stage of growth was higher (lower), the estimated fair value would increase (decrease).

- If the average yield for hemp plants was higher (lower), the estimated fair value would increase (decrease).

- If the after-harvest cost to complete and sell was lower (higher), the estimated fair value would increase (decrease).

(Expressed in Canadian dollars)

10. PROPERTY, PLANT AND EQUIPMENT

	Production and Processing equipment	Computer and software	Vehicle	Right-of-use assets: Office space	Right-of-use assets: Farms	Total
Cost						
Balance at December 31, 2018 and 2019	$ –	$ –	$ –	$ –	$ –	$ –
Additions during the period	273,591	2,503	15,618	76,858	420,345	788,915
Balance at September 30, 2020	**$ 273,591**	**$ 2,503**	**$ 15,618**	**$ 76,858**	**$ 420,345**	**$ 788,915**
Accumulated depreciation						
Balance at December 31, 2018 and 2019	$ –	$ –	$ –	$ –	$ –	$ –
Additions during the period	9,309	278	1,075	11,529	54,883	77,074
Balance at September 30, 2020	**$ 9,309**	**$ 278**	**$ 1,075**	**$ 11,529**	**$ 54,883**	**$ 77,074**
Net book value						
Balance at December 31, 2018 and 2019	$ –	$ –	$ –	$ –	$ –	$ –
Balance at September 30, 2020	**$ 264,282**	**$ 2,225**	**$ 14,543**	**$ 65,329**	**$ 365,462**	**$ 711,841**

Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease term.

11. INTANGIBLE ASSETS

	Clonal system development	IT Platform development	Total
Cost			
Balance at December 31, 2018	$ –	$	$ –
Additions	217,800	26,021	243,821
Balance at December 31, 2019	**$ 217,800**	**$ 26,021**	**$ 243,821**
Additions	24,650	–	24,650
Write-down	–	(23,730)	(23,730)
Balance at September 30, 2020	**$ 242,450**	**$ 2,291**	**$ 244,741**

	Clonal system development	IT Platform development	Total
Accumulated Depreciation			
Balance at December 31, 2019	**$ –**	**$ –**	**$ –**
Additions	11,882	115	11,997
Balance at September 30, 2020	**$ 11,882**	**$ 115**	**$ 11,997**

(Expressed in Canadian dollars)

Net Book Value						
Balance at December 31, 2018	**$**	**–**	**$**	**–**	**$**	**–**
Balance at December 31, 2019		**217,800**		**26,021**		**243,821**
Balance at September 30, 2020	**$**	**230,568**	**$**	**2,176**	**$**	**232,744**

The Company entered into a Master Service Agreement (the “MSA") effective as of October 21, 2019 (the "Effective Date") between the Company and 2665397 Ontario Inc., a subsidiary of Northern Block, doing business as CannaProve ("CannaProve"), for CannaProve to perform information technology services and functions as detailed in the MSA. The MSA was terminated effective January 10, 2020 by mutual consent of the parties. The Company received a refund of $27,120, of which $10,170 was included in other assets as of December 31, 2019. A total write-down of $6,780 represents the remainder capitalized intangible assets related to CannaProve.
The Clonal system development and IT Platform development had not been fully developed and put to use as of September 30, 2020.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		September 30, 2020		December 31, 2019
Accounts payable	$	**90,134**	$	209,472
Accrued liabilities		**32,477**		13,100
Total	$	**122,611**	$	222,572

13. LEASE LIABILITY

The Company entered into three different lease agreements with various landowners for lease of farmlands and one lease agreement for renting office space.

Canbud D580H124 Inc.
The Company agreed to lease 50 acres of farmland to grow industrial hemp under a license from Health Canada which was issued August 16, 2019. The lease commenced January 1, 2020 for a term of five years at an initial annual lease cost of $21,000 payable monthly with annual increase at the lesser of 3% or the prevailing local market price. The lease automatically renews for an additional term of five years unless the subsidiary gives ninety days’ notice of non-renewal before expiry of the first term.

Canbud D2385NR Inc.
The Company agreed to lease 55 acres of farmland to grow industrial hemp under a license from Health Canada which was issued November 15, 2019. The lease commenced January 1, 2020 for a term of three years at an initial annual lease cost of $6,000 payable monthly with annual increase at the lesser of 3% or the prevailing local market price. The lease can renew for an additional term of three years if the subsidiary gives at least ninety days’ notice of renewal before expiry of the first term.

Canbud D1726KC Inc.
Lease of 85 acres of farmland to grow industrial hemp under a license from Health Canada which was issued November 29, 2019. The lease commenced January 1, 2020 for a term of three years at an initial annual lease cost of $60,000 payable monthly with annual increase at the lesser of 3% or the prevailing local market price. The lease can renew for an additional term of three years if the subsidiary gives at least ninety days’ notice of renewal before expiry of the first term.

(Expressed in Canadian dollars)

Grenvin Holdings Inc.
Lease of 1,486 square feet of office space located at Suite # 8, 5160 Explorer Drive, Mississauga, Ontario. The lease commenced January 1, 2020 for a term of five years. The lease can be renewed for an additional term of five years provided the tenant does not default under the lease agreement and that six months prior notice is given before the expiry of the initial term.

As at		**September 30, 2020**		December 31, 2019
Balance, beginning of the period	$	**–**	$	–
New leases		**497,203**		–
Repayment of lease liabilities and interests' payments		**(71,683)**		–
Balance, end of the period	**$**	**425,520**	**$**	–

The future minimum lease payments due are as follows:

		September 30, 2020		December 31, 2019
No more than a year	$	**106,083**	$	–
1-5 years		**398,240**		–
More than 5 years		**6,000**		–
Total future minimum lease payments		**510,323**		–
Less: amount representing interest		**(84,803)**		–
Present value of minimum lease payments		**425,520**		–
Less: current portion		**(75,102)**		–
Non-current portion	**$**	**350,418**	**$**	–

		September 30, 2020		December 31, 2019
Principal payments	$	**48,239**	$	–
Lease expense		**21,262**		–
Lease payments	**$**	**69,501**	**$**	–

On January 1, 2020, the Company recognized $497,203 in lease liability using a discount rate in the range of 6% - 7%.

Leases payments not recognised as a liability
The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The Company recognized rent expense from short-term lease of $613 (2019 – nil), lease of low-value asset $1,568 (2019 – nil) and variable lease payments $13,374 (2019 – nil) for the nine months ended September 30, 2020 in rent expense.

(Expressed in Canadian dollars)

14. GOVERNMENT LOAN

On June 10, 2020, the Company received a loan of $40,000 through the Canadian Emergency Business Account Program ("CEBA Loan"), which provides financial relief for Canadian small businesses during the COVID-19 pandemic. The CEBA Loan has an initial term date on December 31, 2022 (the "Initial Term Date") and may be extended to December 31, 2025. The CEBA Loan is non-revolving, with an interest rate being 0% per annum prior to the Initial Term Date and 5% per annum. Repaying the balance of the CEBA loan on or before December 31, 2022 will result in a loan forgiveness of $10,000.

To estimate the fair value, the debt component was estimated first at $33,242, using a 7.5% effective rate which corresponds to a rate that the Company would have obtained for a similar investment. The Company recognized an accretion expense of $794 in the unaudited consolidated statements of loss and comprehensive loss for the nine months ended September 30, 2020.

		September 30, 2020		December 31, 2019
Opening	$	–	$	–
Loan received		**40,000**		–
Value attributed to the governmental subsidy		**(6,758)**		–
Accretion expense		**794**		–
Total	$	**34,036**	$	–

15. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares.

	Number of shares		Amount
Balance December 31, 2018	**-**	**$**	**-**
Incorporators' share issue at $0.02 per share	5,000		100
Founders' initial issue of shares at $0.02 per share	19,995,000		399,900
First private placement of shares at $0.1 per share	16,525,000		1,652,500
Second private placement at $0.1 per share	380,000		38,000
Third private placement at $0.1 per share	1,383,000		138,300
Share issuance	–		163,296
Balance December 31, 2019 and September 30, 2020	**38,288,000**	**$**	**2,134,697**

Net loss per share

Basic net loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of shares outstanding, made up of common shares. Diluted net loss per share is calculated by adjusting the loss for the period and number of shares for the effects of dilutive options and other dilutive potential ordinary shares. However, there were no options or financial instruments with dilutive potential ordinary shares as at September 30, 2020 (2019 – nil). Thus, the diluted net loss per share was the same as the calculated basic net loss per share.

The weighted average number of shares outstanding used in the computation of loss per share for the nine months ended September 30, 2020 was 32,288,000 (September 30, 2019 – 19,666,415).

(Expressed in Canadian dollars)

For the nine months ended		September 30, 2020		September 30, 2019
Loss attributable to common shareholders	$	(396,644)	$	(38,258)
Weighted average number of common shares outstanding		38,288,000		19,666,415
Loss per share basic and diluted	**$**	**(0.01)**	**$**	**(0.00)**

16. NON-CONTROLLING INTERESTS

Summarized financial information, before intragroup eliminations, is set out as below:

		September 30, 2020				
		D580 Inc.		D238 Inc.		D172 Inc.
Current assets	$	120	$	210	$	416,430
Non-current assets		79,547		29,013		259,590
Total assets		79,667		29,223		676,020
Current liabilities		23,510		20,345		192,882
Non-current liabilities		80,190		25,798		254,535
Total liabilities		103,700		46,143		447,417
Equity attributable to shareholders of the Company		(14,420)		(15,040)		203,541
Non-controlling interests	$	(9,613)	$	(1,880)	$	25,062

		September 30, 2020				
		D580 Inc.		D238 Inc.		D172 Inc.
Net loss and comprehensive loss attributable to shareholders of the Company	$	(15,344)	$	(11,619)	$	203,154
Net loss and comprehensive loss attributable to NCI	$	(2,799)	$	(218)	$	30,533

17. RELATED PARTY TRANSACTIONS

Compensation awarded to key management personnel

Key management personnel refer to the Company's main promoters and members of its executive management team.

For the nine months ended		September 30, 2020		September 30, 2019
Consulting fee	$	193,500	$	105,000
Shares issued		–		7,000
	$	129,000	$	112,000

18. FINANCIAL RISK MANAGEMENT

The Company's objective is to maintain sufficient capital to maintain investor, creditor and customer confidence and to sustain future development of the business and to provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management. The Company has not paid any dividends to its shareholders. The Company is not subject to any externally imposed capital requirements.

As at September 30, 2020, the Company's total managed capital comprised of equity attributable to the equity holders of the Company $1,248,145 (December 31, 2019 - $1,663,910). There were no changes in the Company's approach to capital management during the period.

(a) Fair value
Financial instruments included in the unaudited condensed interim consolidated statement of financial position as at September 30, 2020 consist of cash, other assets, accrued liabilities and payables and government loan with period-end carrying amounts which approximates their respective fair values.

(b) Interest rate risk
The Company does not have any debts or borrowings from any banks or institutional lenders as at September 30, 2020, except for CEBA loan (Note 14), which is non-interest bearing until December 31, 2022. However, the Company is exposed to interest rates risk through its bank deposits.

(c) Currency risk
The Company's balances are all in Canadian dollars as of September 30, 2020 so the Company is not exposed to any currency risks from its financial instruments.

(d) Credit risk
The maximum credit risk exposure as at September 30, 2020 is the carrying amount of cash and due from Alami’s purchaser. The expected loss allowance on its financial assets was determined based on factors such as the credit profile of individual counterparties, industry credit ratings, historical trends and other relevant credit-related information. The Company has determined that the expected loss allowance rate as at September 30, 2020 for promissory note receivable as 100%.

(e) Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company enters into transactions to purchase services on credit, for which repayment is required at various maturity dates.

The Company manages the liquidity risk resulting from accounts payable and accrued liabilities and government loan by ensuring that it documents when authorized payments are due and maintaining adequate cash reserves to meet its obligations as they come due.

(Expressed in Canadian dollars)

In addition to the commitments in Note 19, the Company has the following undiscounted contractual obligations as at September 30, 2020 which are expected to be payable in the following respective periods:

		Within 1 year		Over 1 year		Total
Accounts payable and accrued liabilities	$	122,611	$	–	$	122,611
Government loan	$	–	$	34,036	$	34,036
Total	$	122,611	$	34,036	$	156,647

As of September 30, 2020, the Company had cash of $363,390 (December 31, 2019 - $1,567,938) and total equity attributable to the equity holders of the Company was $1,248,145 (December 31, 2019 - $1,663,910). The Company manages its capital structure and makes adjustments in light of changes in its economic environment and the risk characteristics of the Company's assets. To effectively manage the entity's capital requirements, the Company has in place a planning, budgeting, and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. There are no externally imposed capital requirements to which the Company has not complied.

19. COMMITMENTS AND CONTIGENCIES

a) Consulting fees

The Company entered into consulting agreements for the provision of business development services. The following represents the Company's commitments in relation to consulting agreements at September 30, 2020:

		September 30, 2020
Not later than one year	$	4,800
Later than one year and not later than two years		1,600
Total commitments		6,400

b) Non-controlling interest

The Company entered into definitive lease agreements with various landowners and transaction facilitators in 2019 for its corporate office and hemp CBD cultivation lands. Additionally, the Company, through Alami, entered into a partnership agreement with Mikono Beauty Inc. for the sole purpose of developing and selling Hemp CBD derivative beauty and hemp CBD derivative skin care products; and another agreement, through DEPL Corp., with Martin Ciuk for the sole purpose of establishing a distribution and marketing channel for the sale of hemp CBD products in Europe (EU economic region).

Based on the following specified terms in each executed agreement, the Company is obligated to issue equity shares (membership interests) to the respective landowners and transaction counterparties:

D238 Inc.
In addition to the lease rentals (Note 13), landowners shall be paid 10% of the net profit from operations of D238 Inc. in each respective calendar year from January to December. Landowners shall have the option after the end of the first year of the first 3-year lease term to convert the 10% profit sharing into 10% equity shares in D238 Inc.

D172 Inc.
In addition to the lease rentals (Note 13), landowners shall be paid 10% of the net profit from operations of the D172 Inc. in each respective calendar year from January to December. Landowners shall have the option after the end of the first year of the first 3-year lease term to convert the 10% profit sharing into 10% equity shares in D172 Inc.

20. SUBSEQUENT EVENTS

On November 13, 2020, The Company granted 6,5050,000 options to directors, officers and consultants of the Company exercisable at a price of $0.125 per share for a period of five years, expiring on November 13, 2025.

On November 24, 2020, the Company closed a non-brokered private placement financing with gross proceeds of $500,000 through issuance of 5,000,000 units at a price of $0.10 per Unit. Each unit is comprised of one common share and one warrant of the Company. Each warrants entitles the holder to purchase one additional Common Share at an exercise price of $0.20 on or before November 24, 2021, provided, however that if the closing price of the Common Shares on the Canadian Securities Exchange (or any such other stock exchange in Canada as the Common Shares may trade at the applicable time) is $0.30 or greater per Common Share for a period of five (5) consecutive trading days at any time after the closing date of the Offering, the Corporation may accelerate the warrant term such that the warrants shall expire on the date which is 30 business days following the date a press release is issued by the Company announcing the reduced warrant terms.