# Canbud Distribution Corporation

## Condensed Interim Consolidated Financial Statements

*For the six months ended June 30, 2021 and 2020*

*(Expressed in Canadian Dollars)*

*(Unaudited)*

**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
## Condensed Interim Consolidated Statements of Financial Position
**(Expressed in Canadian dollars)**

| As at | Notes | | June 30, 2021 (unaudited) | | December 31, 2020 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| *Current* | | | | | |
| Cash | | $ | 3,304,015 | $ | 438,633 |
| Prepaid and deposits | 4 | | 84,789 | | 10,000 |
| Accounts receivable | 5 | | 111,911 | | 42,695 |
| Promissory note receivable | 6 | | 11,000 | | 11,000 |
| Total current assets | | | **3,511,715** | | **502,328** |
| *Non-current* | | | | | |
| Acquisition-related payments and advance | 17 | | 862,897 | | 296,400 |
| Property, plant and equipment | 7 | | 614,924 | | 682,693 |
| Intangible assets | 8 | | 196,844 | | 221,478 |
| **Total assets** | | **$** | **5,186,380** | **$** | **1,702,899** |
| **Liabilities** | | | | | |
| *Current* | | | | | |
| Accounts payable and accrued liabilities | 9 | $ | 60,574 | $ | 109,367 |
| Current portion of lease liability | 10 | | 79,320 | | 75,450 |
| Total current liabilities | | | **139,894** | | **184,817** |
| *Non-current* | | | | | |
| Canada Emergency Business Account ("CEBA") Loan | 11 | | 35,911 | | 34,657 |
| Lease liability | 10 | | 290,560 | | 332,373 |
| **Total liabilities** | | | **466,365** | | **551,847** |
| **Shareholders' Equity** | | | | | |
| Share Capital | 12 | | 5,610,731 | | 2,917,267 |
| Reserves | 13 | | 3,146,329 | | 824,438.00 |
| Deficit | | | (3,980,551) | | (2,543,323) |
| **Equity attributable to the Company's shareholders** | | | **4,776,509** | | **1,198,382** |
| **Non-controlling interests** | 14 | | (56,494) | | (47,330) |
| **Total Equity** | | | **4,720,015** | | **1,151,052** |
| **Total liabilities and Equity** | | **$** | **5,186,380** | **$** | **1,702,899** |

***NATURE OF OPERATIONS AND GOING CONCERN (Note 1)***
***COMMITMENTS AND CONTINGENT LIABILITIES (Note 17)***
***SUBSEQUENT EVENTS (Note 18)***

Approved on behalf of the board of directors:

| | |
|---|---|
| *“Raj Ravindran”* | *“Mukesh (Steve) Singh”* |
| Director | Director |

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

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

| | Notes | For the three months ended June 30, 2021 | June 30, 2020 | For the six months ended June 30, 2021 | June 30, 2020 |
|---|---|---|---|---|---|
| Expenses | | | | | |
| Amortization of property, plant and equipment | 7 | $ 33,885 | $ 25,551 | $ 67,769 | $ 48,566 |
| Amortization of intangible assets | 8 | 12,317 | - | 24,634 | - |
| Business development | | 17,493 | 52,953 | 74,858 | 110,441 |
| Consulting fees | 15 | 224,792 | 127,171 | 616,808 | 178,026 |
| Director fees | | - | - | 10,000 | - |
| Investor relation | | 8,000 | - | 21,143 | - |
| Marketing and promotion | | 45,576 | - | 157,151 | - |
| Office and general expenses | | 69,783 | 19,690 | 87,165 | 39,796 |
| Professional fees | | 38,914 | 64,690 | 55,054 | 110,593 |
| Recovery from (allowance for) expected credit losses | 6 | - | (500) | (1,000) | 17,270 |
| Rental | | 5,046 | 5,560 | 10,092 | 10,410 |
| Regulatory, filing and listing fees | | 11,299 | 12,316 | 55,069 | 13,016 |
| Share-based compensation | 13 | - | - | 249,563 | - |
| Supplies and utilities | | - | 9,135 | 3,159 | 9,509 |
| Write-down of intangible assets | 8 | - | - | - | 6,780 |
| Operating loss | | **(467,105)** | **(316,566)** | **(1,431,465)** | **(544,407)** |
| Other Income (expense) | | | | | |
| Finance expense | | (7,311) | (8,166) | (14,927) | (13,928) |
| Interest income | | - | 831 | - | 3,470 |
| CEBA loan grant | 13 | - | 6,758 | - | 6,758 |
| Net gain from deconsolidation of a subsidiary | 7 | - | 20,966 | - | 20,966 |
| **Net loss for the period** | | **(474,416)** | **(296,177)** | **(1,446,392)** | **(527,141)** |
| **Total loss and comprehensive loss for the period** | | **$ (474,416)** | **$ (296,177)** | **$ (1,446,392)** | **$ (527,141)** |
| **Net loss attributable to:** | | | | | |
| Equity holder of the Company | | $ (470,017) | $ (295,227) | $ (1,437,228) | $ (526,191) |
| Non-controlling interests | | $ (4,399) | $ (950) | $ (9,164) | $ (950) |
| | | **$ (474,416)** | **$ (296,177)** | **$ (1,446,392)** | **$ (527,141)** |
| **Net comprehensive loss attributable to:** | | | | | |
| Equity holder of the Company | | $ (470,017) | $ (295,227) | $ (1,437,228) | $ (526,191) |
| Non-controlling interests | | $ (4,399) | $ (950) | $ (9,164) | $ (950) |
| | | **$ (474,416)** | **$ (296,177)** | **$ (1,446,392)** | **$ (527,141)** |
| Weighted average number of shares outstanding | | **86,065,663** | **38,288,000** | **58,864,583** | **38,288,000** |
| Basic and diluted net loss per share | | **$ (0.01)** | **$ (0.01)** | **$ (0.02)** | **$ (0.01)** |

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

**Canbud Distribution Corporation**
## Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
**(Expressed in Canadian dollars)**
**(Unaudited)**

| | | Reserves | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital | Share based payments | Warrants | Deficit | Attributable to owners of the Company | Non-controlling interest | Total shareholders' equity |
| **Balance, December 31, 2020** | **$ 2,917,267** | **$ 682,446** | **$ 141,992** | **$ (2,543,323)** | **$ 1,198,382** | **$ (47,330)** | **$ 1,151,052** |
| Share-based compensation (Note 13) | - | 249,563 | - | - | 249,563 | - | 249,563 |
| Issued on private placements, net (Note 12) | 2,472,605 | - | 2,075,035 | - | 4,547,640 | - | 4,547,640 |
| Issued for services (Note 12) | 215,152 | - | - | - | 215,152 | - | 215,152 |
| Exercise of options | 5,707 | (2,707) | - | - | 3,000 | - | 3,000 |
| Net loss | - | - | - | (1,437,228) | (1,437,228) | (9,164) | (1,446,392) |
| **Balance, June 30, 2021** | **$ 5,610,731** | **$ 929,302** | **$ 2,217,027** | **$ (3,980,551)** | **$ 4,776,509** | **$ (56,494)** | **$ 4,720,015** |
| | | | | | | | |
| **Balance, December 31, 2019** | **$ 2,134,697** | **$ -** | **$ -** | **$ (470,787)** | **$ 1,663,910** | **$ -** | **$ 1,663,910** |
| Increase in non-controlling interests | - | - | - | 13,947 | 13,947 | (13,947) | - |
| Net loss | - | - | - | (526,191) | (526,191) | (950) | (527,141) |
| **Balance, June 30, 2020** | **$ 2,134,697** | **$ -** | **$ -** | **$ (983,031)** | **$ 1,151,666** | **$ (14,897)** | **$ 1,136,769** |

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

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

| **For the six months ended** | | **June 30, 2021** | | **June 30, 2020** |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net loss for the period | $ | (1,446,392) | $ | (527,141) |
| Non-cash items: | | | | |
| Amortization of property, plant and equipment | | 67,769 | | 48,566 |
| Amortization of intangible assets | | 24,634 | | - |
| Allowance for (recovery from) expected credit losses | | (1,000) | | 17,270 |
| Shares issued for services | | 215,152 | | - |
| Write-down of intangible assets | | - | | 6,780 |
| Share-based compensation | | 249,563 | | - |
| Finance expense | | 14,927 | | 13,659 |
| Changes in non-cash working capital items: | | | | |
| Accounts receivable | | (69,216) | | (39,265) |
| Prepaid and deposits | | (74,789) | | (88,914) |
| Accounts payable and accrued liabilities | | (48,793) | | (92,067) |
| **Total cash flow used in operating activities** | | **(1,068,145)** | | **(661,112)** |
| **Investing activities** | | | | |
| Purchase of property, plant and equipment | | - | | (161,757) |
| Purchase of intangible assets | | - | | (19,850) |
| Proceeds from sale of a subsidiary | | - | | 11,000 |
| Refund received from CannaProve | | - | | 16,950 |
| Promissory note receivable repayments | | 1,000 | | 2,000 |
| Acquisition payment in advance | | (566,497) | | - |
| **Total cash flow used in investing activities** | | **(565,497)** | | **(151,657)** |
| **Financing activities:** | | | | |
| Proceeds on equity issuances and private placement | | 4,547,640 | | - |
| Proceeds from government loan | | - | | 40,000 |
| Payments of lease liability | | (51,616) | | (44,500) |
| Exercise of options | | 3,000 | | - |
| **Total cash flow generated from (used in ) financing activities** | | **4,499,024** | | **(4,500)** |
| **Increase (decrease) in cash during the period** | | **2,865,382** | | **(817,269)** |
| **Cash, beginning of the period** | | 438,633 | | 1,567,938 |
| **Cash, end of the period** | **$** | **3,304,015** | **$** | **750,669** |

*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 June 30, 2021, 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.

These 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 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 June 30, 2021, the Company had not commenced any commercial operations and had a deficit of $3,980,551 (2020 - $2,543,323). For the six months ended June 30, 2021, the Company’s net loss was $1,446,392 (2020- $527,141), working capital of $3,371,821 (2020 - $317,511) and negative cash flows from operating activities was $ 1,068,145 (2020 - $661,112). Whether, and when, the Company can start generating revenues, attain profitability and positive cash flows from operations has material uncertainty, which may cast 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. BASIS OF PREPARATION

**Statement of Compliance**

These 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, 2021.

These condensed interim consolidated financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2020.

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on August 30, 2021.

**Basis of measurement**

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain investments measured at fair value.

**Basis of consolidation**

These condensed interim consolidated financial statements include the account of the Company and subsidiaries controlled by the Company from the date that control commenced until the date that control ceases. 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 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.

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.

The Company's subsidiaries are as follows:

Empathy Plant Co. – On January 22, 2021, the Company incorporated Empathy Plant Company Inc. ("Empathy"), a wholly owned subsidiary of the Company. Empathy was formed primarily to launch and operate the Company's plant-based protein brand with products that are naturally sweetened, zero sugar added, non-GMO project verified, gluten-free, soy-free with 100% compostable packaging.

Canbud D580H124 Inc. ("D580 Inc.") – The Company holds 60% (2020 - 60%) interest in D580 Inc., incorporated on July 23, 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.") - Company holds 88.89% (2020 – 88.89%) interest in D238 Inc., incorporated October 22, 2019 D238 Inc. entered into an agreement to lease 55 acres of farmland in Lakefield, Ontario, 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 % (2020 – 88.89%) interest in D172 Inc., incorporated on October 31, 2019. D172 Inc. entered into an agreement to lease 85 acres of farmland in Kettleby, Ontario, 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% (2020 – 94.75%) interest in D238 Inc., incorporated on November 20, 2019. 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.

Alami Beauty Corporation ("Alami") – Incorporated on May 24, 2019 under the *Canadian Business Corporation Act* . The Company held 51% in Alami until the Company sold its controlling 51% interest to Mikono on June 4, 2020.

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

**Functional and presentation currency**

The 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 and its subsidiaries operate in.

**Use of critical estimates and judgments**

The preparation of these 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 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 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. The estimates and underlying assumptions 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.

In preparing these condensed interim financial statements, the significant judgements and estimates made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements as at and for the year ended December 31, 2020.

**(Expressed in Canadian dollars)**

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in these condensed interim financial statements are consistent with those applied in the Company's audited consolidated financial statements for the year ended December 31, 2020.

**New accounting standards, amendments and interpretations issued but only effective for the Company beginning on or after January 1, 2021 are as follows:**

*Amendment to IAS 1*
In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments:

-specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months;
-provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and
-clarify when a liability is considered settled.

On July 15, 2020, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2023 and is to be applied retrospectively. The Company has not yet determined the impact of these amendments on its financial statements.

*Amendment to IAS 16*
On May 14, 2020, the IASB amended IAS 16 "Property, Plant and Equipment" to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2022 with early adoption permitted.

The Company is currently assessing the financial impact of these amendments and expects to apply the amendments at the effective date.

## 4. PREPAID AND DEPOSITS

| | | June 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Marketing fees | $ | – | $ | 10,000 |
| Deposit on a purchase order | | **34,324** | | – |
| Prepayment on insurance and services | | **50,465** | | – |
| Total | $ | **84,789** | $ | 10,000 |

## 5. ACCOUNTS RECEIVABLE

| | | June 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Consulting fee refund | **$** | **–** | $ | – |
| Harmonized Sales tax recoverable | | **111,911** | | 42,877 |
| Total | **$** | **111,911** | $ | 42,877 |

**(Expressed in Canadian dollars)**

## 6. PROMISSORY NOTE RECEIVABLE

| | HIP Beverages (i) | Alami (ii) | Total |
|---|---|---|---|
| Balance, December 31, 2019 | $ 19,270 | $ - | $ 19,270.00 |
| Promissory note principal amount | - | 11,000 | 11,000 |
| Repayments during the year | (5,500) | - | (5,500) |
| Allowance for expected credit losses | (13,770) | - | (13,770) |
| **Balance, December 31, 2020** | **-** | **11,000** | **11,000** |
| Repayments during the year | (1,000) | | (1,000) |
| Recovery from expected credit losses | 1,000 | - | 1,000 |
| **Balance, June 30, 2021** | **$ -** | **$ 11,000** | **$ 11,000** |

(i) 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 had recognized a full allowance or expected credit losses of on the HIP loan in 2020. The Company received $1,000 repayment from HIP Beverages Corporation for the six months ended June 30, 2021.

(ii) 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.

## 7. PROPERTY, PLANT AND EQUIPMENT

| | Right-of-use assets | | Production and processing equipment | Computer and software | Vehicle | Total |
|---|---|---|---|---|---|---|
| | **Office lease** | **Farms** | | | | |
| **Cost** | | | | | | |
| Balance December 31, 2019 | $ - | $ - | $ - | $ - | $ - | $ - |
| Additions during the year | 76,859 | 420,344 | 280,710 | 2,503 | 15,618 | 796,034 |
| Balance December 31, 2020 | 76,859 | 420,344 | 280,710 | 2,503 | 15,618 | 796,034 |
| Additions during the period | - | - | - | - | - | - |
| Balance June 30, 2021 | **$ 76,859** | **$ 420,344** | **$ 280,710** | **$ 2,503** | **$ 15,618** | **$ 796,034** |
| **Accumulated amortization** | | | | | | |
| Balance December 31, 2018 and 2019 | $ - | $ - | $ - | $ - | $ - | $ - |
| Additions during the year | 15,372 | 73,177 | 21,165 | 487 | 3,140 | 113,341 |
| Balance December 31, 2020 | 15,372 | 73,177 | 21,165 | 487 | 3,140 | 113,341 |
| Additions during the period | 7,686 | 36,588 | 20,474 | 417 | 2,603 | 67,769 |
| Balance June 30, 2021 | **$ 23,058** | **$ 109,765** | **$ 41,639** | **$ 904** | **$ 5,743** | **$ 181,110** |
| **Net book value** | | | | | | |
| **Balance December 31, 2019** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |
| **Balance December 31, 2020** | **$ 61,487** | **$ 347,167** | **$ 259,545** | **$ 2,016** | **$ 12,478** | **$ 682,693** |
| **Balance June 30, 2021** | **$ 53,801** | **$ 310,579** | **$ 239,071** | **$ 1,599** | **$ 9,875** | **$ 614,924** |

**(Expressed in Canadian dollars)**

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

## 8. INTANGIBLE ASSETS

| | Clonal system development | IT Platform development | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance December 31, 2019 | $ 217,800 | $ 26,021 | $ 243,821 |
| Additions during the year | 26,250 | - | 26,250 |
| Refund received during the year | - | (16,950) | (16,950) |
| Write-down during the year | - | (6,780) | (6,780) |
| Balance December 31, 2020 | 244,050 | 2,291 | 246,341 |
| Additions during the period | - | - | - |
| Balance June 30, 2021 | **$ 244,050** | **$ 2,291** | **$ 246,341** |
| **Accumulated amoritzation** | | | |
| Balance December 31, 2019 | $ - | $ - | $ - |
| Additions during the year | 24,405 | 458 | 24,863 |
| Balance December 31, 2020 | 24,405 | 458 | 24,863 |
| Additions during the period | 24,404 | 230 | 24,634 |
| Balance June 30, 2021 | **$ 48,809** | **$ 688** | **$ 49,497** |
| **Net book value** | | | |
| **Balance December 31, 2019** | **$ 217,800** | **$ 26,021** | **$ 243,821** |
| **Balance December 31, 2020** | **$ 219,645** | **$ 1,833** | **$ 221,478** |
| **Balance June 30, 2021** | **$ 195,241** | **$ 1,603** | **$ 196,844** |

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. During the year ended December 31, 2020, the Company recognized a total of $23,730 of intangible assets associated with MSA. The MSA was terminated effective January 10, 2020 by mutual consent of the parties and the Company received a refund of $16,950. Due to the termination of the MSA, the Company recognized a write-down of intangible assets of $6,780 in 2020.

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Accounts payable | $ **14,856** | $ 35,877 |
| Accrued liabilities | **45,718** | 73,490 |
| Total | $ **60,574** | $ 109,367 |

## 10. 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 leases 50 acres of farmland in McKellar, Ontario, 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 lease cost of $21,000 per annum, 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.

**(Expressed in Canadian dollars)**

*Canbud D2385NR Inc. (Lakefield)*
The Company leases 55 acres of farmland in Lakefield, Ontario, 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 lease cost of $6,000 per annum, 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. (Kettleby, Ontario)*
The Company leases 85 acres of farmland in Kettleby, Ontario, 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 lease cost of $60,000 per annum, 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.

*Grenvin Holdings Inc.*
The office 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.

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

| **As at** | | **June 30, 2021** | | **December 31, 2020** |
|---|---|---|---|---|
| Balance, beginning of the period/year | $ | **407,823** | $ | – |
| New leases | | **–** | | 497,203 |
| Interest lease expense | | **13,673** | | 28,565 |
| Lease payments | | **(51,616)** | | (117,945) |
| **Balance, end of the period/year** | **$** | **369,880** | $ | 407,823 |

The future minimum lease payments due are as follows:

| | | **June 30, 2021** | | **December 31, 2020** |
|---|---|---|---|---|
| No more than a year | $ | **102,736** | $ | 107,053 |
| 1-5 years | | **324,969** | | 372,269 |
| **Total future minimum lease payments** | | **427,705** | | 479,322 |
| Less: amount representing interest | | **(57,825)** | | (71,499) |
| Present value of minimum lease payments | | **369,880** | | 407,823 |
| **Less: current portion** | | **(79,320)** | | (75,450) |
| **Non-current portion** | **$** | **290,560** | $ | 332,373 |

**(Expressed in Canadian dollars)**

| | | June 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Principal payments | $ | **37,943** | $ | 89,380 |
| Lease expense | | **13,673** | | 28,565 |
| **Lease payments** | **$** | **51,616** | $ | 117,945 |

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 lease of low-value asset $1,176 (2020 – $1,176) and variable lease payments $8,916 (2020 – $8,910) for the six months ended June 30, 2021, in rent expense.

## 11. CANADIAN EMERGENCY BUSINESS ACCOUNT ("CEBA") 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 a finance expense of $1,415 the condensed interim consolidated statements of loss and comprehensive loss for the six months ended June 30, 2021.

| | | June 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Opening | $ | **34,657** | $ | – |
| Loan received | | **–** | | 40,000 |
| Value attributed to the governmental subsidy | | **–** | | (6,758) |
| Finance expense | | **1,254** | | 1,415 |
| Total | $ | **35,911** | $ | 34,657 |

**(Expressed in Canadian dollars)**

## 12. SHARE CAPITAL

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

| | Number of shares | | Amount |
|---|---|---|---|
| **Balance December 31, 2019** | **38,288,000** | | **2,134,697** |
| Private placement, net (i) | 5,000,000 | | 337,970 |
| Acquisition advance payment (Note 17 (b)) | 2,280,000 | | 444,600 |
| **Balance December 31, 2020** | **45,568,000** | | **2,917,267** |
| Private placement, net (ii) | 21,992,333 | | 1,385,722 |
| Private placement, net (iii) | 17,417,013 | | 1,086,883 |
| Issued for services (iv) | 1,082,251 | | 215,152 |
| Issued on exercise of options | 24,000 | | 5,707 |
| **Balance June 30, 2021** | **86,059,597** | **$** | **5,610,731** |

(i) 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 warrant 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 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 private placement, the Company 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. The proceeds of the private placement have been allocated as $147,920 to warrant reserve (Note 13). The Company paid a total of $20,038 of issuance costs.

(ii) On February 23, 2021, the Company closed the first tranche of non-brokered financing with gross proceeds of $2,639,080 through issuance of 21,992,333 units at a price of $0.12 per Unit. Each unit is comprised of one common share and one warrant of the Company. Each warrant entitles the holder to purchase one additional Common Share at an exercise price of $0.22 on or before February 23, 2023, provided, however that if the closing price of the common shares is $0.25 or greater per common share for a period of five (5) consecutive trading days at any time after the closing date of the private placement, the Company 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.

The Company paid total of $99,532 of issuance costs and issued 689,920 of broker warrants, which includes $53,595 of issuance costs paid and 446,623 broker warrants issued to Florence Wealth Management Inc. (“Florence”). Raj Ravindran, CFO and director of the Company, is the ultimate designated person and CEO of Florence. The brokers warrants have the same terms as the warrants issued in the private placement.

The proceeds of the private placement have been allocated as $1,137,257 to warrant reserve (Note 13).

(iii) March 8, 2021, the Company closed the second and final tranche of non-brokered financing with gross proceeds of $2,090,042 through issuance of 21,992,333 units at a price of $0.12 per Unit. Each unit is comprised of one common share and one warrant of the Company. Each warrant entitles the holder to purchase one additional Common Share at an exercise price of $0.22 on or before March 8, 2023, provided, however that if the closing price of the common shares is $0.25 or greater per common share for a period of five (5) consecutive trading days at any time after the closing date of the private placement, the Company 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.

**(Expressed in Canadian dollars)**

The Company paid total of $81,950 of issuance costs and issued 572,425 of broker warrant, which includes $33,831 of issuance costs paid and 281,925 broker warrants issued to Florence. The brokers warrants have the same terms as the warrants issued in the private placement.

The proceeds of the private placement have been allocated as $904,648 to warrant reserve (Note 13).

(iv) The Company issued a total of 1,082,251 common shares to a consultant of the Company on January 4, 2021 and March 8, 2021 valued at $215,152 based on the share price on the dates of issuance.

*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 June 30, 2021 (2020 – 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 six months ended June 30, 2021 was 58,864,583 (June 30, 2020– 38,288,000).

| For the six months ended | | June 30, 2021 | | June 30, 2020 |
|---|---|---|---|---|
| Loss attributable to common shareholders | $ | (1,437,228) | $ | (526,191) |
| Weighted average number of common shares outstanding | | 58,864,583 | | 38,288,000 |
| **Loss per share basic and diluted** | **$** | **(0.02)** | **$** | **(0.01)** |

## 13. RESERVES

Reserves include (i) the accumulated fair value of stock options recognized as share-based compensation, and (ii) the fair value of warrants issued in private placements and for share issue costs. Reserves are increased by the fair value of these items as they vest and are reduced by corresponding amounts when the options or warrants expire or are exercised or cancelled.

SHARE-BASED COMPENSATION

The Company has a common share 20% Rolling Plan (the "Plan") for designated directors, officers, employees, and consultants. Pursuant to the Plan, option awards are recommended by the Compensation Committee of the Board and then reviewed by the Board of Directors. Under the Plan, options on common shares may be issued for up to a cumulative amount that may not exceed 10% of shares outstanding at any given time. As at June 30, 2021, the Company had 9,661,919 options reserved on common shares.

**(Expressed in Canadian dollars)**

The following table summarizes the continuity of stock options:

| | Number of options | Weighted average exercise price $ |
|---|---|---|
| **Outstanding, December 31, 2019** | **-** | **-** |
| Issued (i) | 6,050,000 | 0.125 |
| **Outstanding, December 31, 2020** | **6,050,000** | **0.125** |
| Issued (ii) (iii) (iv) (v) | 1,500,000 | 0.220 |
| Exercised | (24,000) | 0.130 |
| **Outstanding, June 30, 2021** | **7,526,000** | **0.144** |

(i) On November 13, 2020, The Company granted 6,050,000 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.

(ii) On January 15, 2021, the Company granted 300,000 stock options to a consultant with exercise price of $0.22 for 4 years, expiring on January 15, 2025.

(iii) On January 18, 2021, the Company granted 300,000 stock options to a consultant with exercise price of $0.22 for 4 years, expiring on January 18, 2025.

(iv) On January 20, 2021, the Company granted 300,000 stock options to a consultant with exercise price of $0.22 for 4 years, expiring on January 20, 2025.

(v) On March 30, 2021, the Company granted 600,000 stock options to consultants with exercise price of $0.22 for 4 years, expiring on March 30, 2025.

The fair value of the options granted was estimated on the date of the grant using the Black-Scholes option pricing model, with the following assumptions:

| | Six months ended June 30, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Volatility | 155% | 148% |
| Expected life | 4 years | 5 years |
| Risk-free interest rate | 0.34 - 0.73% | 0.46% |
| Forfeiture rate | 0% | 0% |
| Expected dividend yield | 0% | 0% |

The following stock options are outstanding and exercisable as at June 30, 2021:

| Options outstanding and exercisable | | | |
|---|---|---|---|
| Exercise price $ | Number of Options | Weighted average remaining contractual life in years | Weighted average exercise price $ |
| 0.125 | 6,026,000 | 4.41 | 0.125 |
| 0.22 | 300,000 | 3.55 | 0.22 |
| 0.22 | 300,000 | 3.56 | 0.22 |
| 0.22 | 300,000 | 3.56 | 0.22 |
| 0.22 | 600,000 | 3.75 | 0.22 |
| | **7,526,000** | **4.27** | **0.144** |

**(Expressed in Canadian dollars)**

WARRANTS

Warrant activity is presented below:

| | Number of warrants | Weighted average exercise price $ |
|---|---|---|
| **Outstanding, December 31, 2019** | **-** | **-** |
| Issued | 5,000,000 | 0.20 |
| **Outstanding, December 31, 2020** | **5,000,000** | **0.20** |
| Issued (Note 12 (ii)) | 22,682,253 | 0.22 |
| Issued (Note 12 (iii)) | 17,989,438 | 0.22 |
| **Outstanding, June 30, 2021** | **45,671,691** | **0.22** |

The fair value of the warrants was estimated on the date of the issuance using the Black-Scholes option pricing model, with the following assumptions:

| | Six months ended June 30, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Volatility | 169% | 153% |
| Expected life | 2 years | 1 years |
| Risk-free interest rate | 0.29% | 0.26% |
| Forfeiture rate | 0% | 0% |
| Expected dividend yield | 0% | 0% |

The following warrants are outstanding and exercisable as at June 30, 2021:

| Warrants outstanding and exercisable | | | |
|---|---|---|---|
| Exercise price $ | Number of Warrants | Weighted average remaining contractual life in years | Weighted average exercise price $ |
| 0.20 | 5,000,000 | 0.40 | 0.20 |
| 0.22 | 21,992,333 | 1.65 | 0.22 |
| 0.22 | 689,920 | 1.65 | 0.22 |
| 0.22 | 17,417,013 | 1.69 | 0.22 |
| 0.22 | 572,425 | 1.69 | 0.22 |
| | **45,671,691** | **1.53** | **0.22** |

**(Expressed in Canadian dollars)**

## 14. NON-CONTROLLING INTERESTS

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

| | June 30, 2021 | | |
|---|---|---|---|
| | D580 Inc. | D238 Inc. | D172 Inc. |
| Current assets | $ 120 | $ 80 | $ - |
| Non-current assets | 65,509 | 25,253 | 222,586 |
| Total assets | **65,629** | **25,333** | **222,586** |
| Current liabilities | 39,695 | 24,715 | 273,524 |
| Non-current liabilities | 68,181 | 22,604 | 222,409 |
| Total liabilities | **107,876** | **47,319** | **495,934** |
| Equity attributable to shareholders of the Company | (25,396) | (17,432) | (236,148) |
| Non-controlling interests | **$ (16,851)** | **$ (2,443)** | **$ (37,200)** |

| | June 30, 2021 | | |
|---|---|---|---|
| | D580 Inc. | D238 Inc. | D172 Inc. |
| Net loss and comprehensive loss attributable to shareholders of the Company | $ (7,196) | $ (2,986) | $ (31,951) |
| Net loss and comprehensive loss attributable to NCI | $ (4,797) | $ (373) | $ (3,994) |

| | December 31, 2020 | | |
|---|---|---|---|
| | D580 Inc. | D238 Inc. | D172 Inc. |
| Current assets | $ 120 | $ 80 | $ 5,572 |
| Non-current assets | 74,868 | 27,760 | 247,229 |
| Total assets | **74,988** | **27,840** | **252,801** |
| Current liabilities | 3,500 | - | - |
| Non-current liabilities | 101,622 | 46,467 | 490,204 |
| Total liabilities | **105,122** | **46,467** | **490,204** |
| Equity attributable to shareholders of the Company | (18,080) | (16,557) | (204,197) |
| Non-controlling interests | **$ (12,054)** | **$ (2,070)** | **$ (33,206)** |

## 15. RELATED PARTY TRANSACTIONS

**Compensation awarded to key management personnel**
Key management personnel refer to the Company's members of its executive management team and directors.

| For the six months ended | **June 30, 2021** | June 30, 2020 |
|---|---|---|
| Consulting fee | **$** 129,000 | $ 129,500 |
| Director fees | 10,000 | - |
| | **$ 139,000** | $ 129,500 |

## 16. 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 June 30, 2021, the Company's total managed capital comprised of equity attributable to the equity holders of the Company $4,776,509 (December 31, 2020 - $1,198,382). There were no changes in the Company's approach to capital management during the period.

(a) Fair value
Financial instruments included in the condensed interim consolidated statement of financial position as at June 30, 2021 consist of cash, promissory note receivable, accrued liabilities and payables and CEBA 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 June 30, 2021, except for CEBA loan (Note 11), 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 June 30, 2021, so the Company is not exposed to any currency risks from its financial instruments.

(d) Credit risk
The maximum credit risk exposure as at June 30, 2021, is the carrying amount of cash and promissory note receivable. 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 had determined that the expected loss allowance rate as at December 31, 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 CEBA 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 17, the Company has the following undiscounted contractual obligations as at June 30, 2021, which are expected to be payable in the following respective periods:

| | Within 1 year | Over 1 year | Total |
|---|---|---|---|
| Accounts payable and accrued liabilities | $ 60,574 | $ – | $ 60,574 |
| CEBA loan | – | 40,000 | 40,000 |
| Lease liability | 102,736 | 324,969 | 427,705 |
| Total | $ 163,310 | $ 364,969 | $ 528,279 |

As of June 30, 2021, the Company had cash of $3,304,015 (December 31, 2020 - $438,633) and total equity attributable to the equity holders of the Company was $4,776,509 (December 31, 2020 - $1,198,382). 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.

## 17. COMMITMENTS AND CONTIGENCIES

a) 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 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 10), 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 10), 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.

b) 2688453 Ontario Ltd.
On December 4, 2020 ("Effective date"), the Company entered into a definitive agreement to acquire 100% of the issued and outstanding shares of 2688453 Ontario Ltd ("268 Ltd.")in exchange for 7,600,000 common shares ("Consideration shares") of the Company ("Acquisition") to be issued as follows:

(i) 1,520,000 shares, representing 20% of Consideration shares, within 30 days from the Effective date;

(ii) 1,900,000 shares, representing 25% of Consideration shares, upon the earlier of completion of phase 1 of the business plan, which focuses primarily on the design and construction of the cultivation buildout facility, or six (6) months from the Effective date ("Second issuance");
(iii) 2,280,000 shares, representing 30% of Consideration shares, on the date that is four (4) months from Second Issuance ("Third issuance");
(iv) 1,900,000 shares, representing 25% of Consideration shares, on the date that is four (4) months from Third issuance.

On December 4, 2020, the Company issued 1,520,000 common shares to the shareholders of 268 Ltd. valued at $296,400. Additionally, the Company issued 760,000 common shares as finders' fee valued at $148,200. During the six months ended June 30, 2021, the Company advanced a total of $66,497 to 268 Ltd. to be used for build-out and operation of psilocybin cultivation facility in Jamaica.

c) Molecular Science Corp ("MSC")
On May 25, 2021, the Company entered a Letter of Intent ("LOI") with MSC, a privately held analytical science and services company, carrying on the business of testing cannabis and related pharmaceutical products, to acquire all of the issued and outstanding shares of MSC by way of a "three-cornered" amalgamation ("amalgamation"). Such amalgamation will result in MSC becoming a wholly owned subsidiary of the Company and issuance of up to 70,600,000 common shares of the Company in exchange for all outstanding MSC shares.

Pursuant to the LOI, the Company advanced $500,000 bridge loan to MSC on June 27, 2021, bearing interest at 5% per annum, maturing in 60 days.

## 18. SUBSEQUENT EVENTS

On July 8, 2021, the Company completed the Amalgamation with MSC and formed MSC Corp., a wholly owned subsidiary of the Company. In connection with the Amalgamation, the Company issued an aggregate of 68,212,896 common shares to the former shareholders of MSC on the basis of approximately 3.313 shares for each MSC common share outstanding. All outstanding warrants of MSC were replaced with warrants of the Company, entitling the holders to purchase an aggregate of up to 3,958,800 Shares for a purchase price of $0.30 per share until July 8, 2024. The Company issued a total of 1,765,000 shares as an advisory fee.

On August 9, 2021, the Company granted 7,000,000 incentive stock options to directors, employees, officers, and consultants of the Company. The options have an exercise price of $0.10 and a term of 5 years expiring on August 05, 2026.