



Canbud Distribution Corporation
Condensed Interim Consolidated Financial Statements

For the nine months ended September 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	Note	September 30, 2021 (unaudited)	December 31, 2020
Assets			
<i>Current</i>			
Cash		\$ 3,193,593	\$ 438,633
Prepaid and deposits	5	65,752	10,000
Accounts receivable	6	357,088	42,695
Promissory note receivable	7	11,000	11,000
Investments	8	36,012	-
Total current assets		3,663,445	502,328
<i>Non-current</i>			
Acquisition-related payments and advances	9	999,947	296,400
Property, plant and equipment	10	2,947,411	682,693
Intangible assets	11	1,244,946	221,478
Goodwill	11	205,725	-
Total assets		\$ 9,061,474	\$ 1,702,899
Liabilities			
<i>Current</i>			
Accounts payable and accrued liabilities	12	\$ 915,856	\$ 109,367
Loan payable	9	279,093	-
Deferred revenue		12,311	-
Current portion of lease liability	13	163,342	75,450
Total current liabilities		1,370,602	184,817
<i>Non-current</i>			
Canada Emergency Business Account ("CEBA") loan	14	36,566	34,657
Lease liability	13	269,159	332,373
Total liabilities		1,676,327	551,847
Shareholders' Equity			
Share Capital	15	8,889,724	2,917,267
Reserves	16	3,861,161	824,438.00
Deficit		(5,304,588)	(2,543,323)
Equity attributable to the Company's shareholders		7,446,297	1,198,382
Non-controlling interests	17	(61,150)	(47,330)
Total Equity		7,385,147	1,151,052
Total liabilities and Equity		\$ 9,061,474	\$ 1,702,899

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

COMMITMENTS AND CONTINGENT LIABILITIES (Note 20)

SUBSEQUENT EVENTS (Note 21)

Approved on behalf of the board of directors:

"Raj Ravindran"

Director

"Mukesh (Steve) Singh"

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) Income and Comprehensive (Loss) Income

(Expressed in Canadian dollars)

(Unaudited)

	Notes	For the three months ended September 30		For the nine months ended September 30	
		2021	2020	2021	2020
Service revenue		\$ 526,734	\$ -	\$ 526,734	\$ -
Expenses					
Amortization of property, plant and equipment	10	160,012	25,001	227,781	73,566
Amortization of intangible assets	11	64,093	11,997	88,727	11,997
Allowance for (recovery from) expected credit losses	7	(2,000)	(1,000)	(3,000)	16,270
Business development		123,400	14,206	198,258	128,065
Consulting fees	18	137,462	80,950	754,270	245,558
Director fees		-	-	10,000	-
Investor relation		26,857	-	48,000	-
Laboratory expenses		166,858	-	166,858	-
Marketing and promotion		9,275	-	166,426	-
Office and general expenses		98,828	16,988	185,993	53,367
Professional fees		115,657	11,220	170,711	121,813
Rental		5,046	5,146	15,138	15,556
Regulatory, filing and listing fees		8,502	300	63,571	13,316
Salaries and wages		284,284	-	284,284	13,418
Share-based compensation	16	498,984	-	748,547	-
Supplies and utilities		2,840	-	5,999	9,509
Unrealized loss on investments	8	9,554	-	9,554	-
Unrealized fair value adjustment on growth on biological assets		-	(297,615)	-	(297,615)
Write-down of intangible assets	11	-	-	-	6,780
Operating loss		(1,182,918)	132,807	(2,614,383)	(411,600)
Other Income (expense)					
Finance expense		(8,847)	(609)	(23,774)	(794)
Interest expense		-	(7,253)	-	(17,526)
CEBA loan grant	14	-	-	-	6,758
Foreign exchange gain		4,271	-	4,271	-
Transaction costs	4	(141,200)	-	(141,200)	-
Net gain from deconsolidation of a subsidiary	7	-	-	-	20,966
Net (loss) income		(1,328,694)	124,945	(2,775,085)	(402,196)
Total (loss) income and comprehensive (income)		\$ (1,328,694)	\$ 124,945	\$ (2,775,085)	\$ (402,196)
Net (loss) income attributable to:					
Equity holder of the Company		\$ (1,324,037)	\$ 96,480	\$ (2,761,265)	\$ (429,712)
Non-controlling interests		\$ (4,656)	\$ 28,465	\$ (13,820)	\$ 27,516
		\$ (1,328,693)	\$ 124,945	\$ (2,775,085)	\$ (402,196)
Net comprehensive (loss) income attributable to:					
Equity holder of the Company		\$ (1,324,037)	\$ 96,480	\$ (2,761,265)	\$ (429,712)
Non-controlling interests		\$ (4,656)	\$ 28,465	\$ (13,820)	\$ 27,516
		\$ (1,328,693)	\$ 124,945	\$ (2,775,085)	\$ (402,196)
Weighted average number of shares outstanding		92,168,631	32,288,000	102,991,556	38,288,000
Basic and diluted net loss per share		\$ (0.01)	\$ 0.00	\$ (0.03)	\$ (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				Attributable to owners of the Company	Non- controlling interest	Total shareholders' equity
	Share capital	Share based payments	Warrants	Deficit			
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 16)	-	748,547	-	-	748,547	-	748,547
Issued on private placements, net (Note 15)	2,472,605	-	2,075,035	-	4,547,640	-	4,547,640
Issued pursuant to Molecular Science Corp. acquisition (Note 4)	3,137,793	-	215,848	-	3,353,641	-	3,353,641
Issued for services (Note 4 and 16)	356,352	-	-	-	356,352	-	356,352
Exercise of options (Note 16)	5,707	(2,707)	-	-	3,000	-	3,000
Net loss	-	-	-	(2,761,265)	(2,761,265)	(13,820)	(2,775,085)
Balance, September 30, 2021	\$ 8,889,724	\$ 1,428,286	\$ 2,432,875	\$ (5,304,588)	\$ 7,446,297	\$ (61,150)	\$ 7,385,147
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	-	-	-	(429,712)	(429,712)	27,516	(402,196)
Balance, September 30, 2020	\$ 2,134,697	\$ -	\$ -	\$ (886,552)	\$ 1,248,145	\$ 13,569	\$ 1,261,714

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 nine months ended September 30,	2021	2020
Operating activities		
Net loss for the period	\$ (2,775,085)	\$ (402,196)
Non-cash items:		
Amortization of property, plant and equipment	227,781	73,566
Amortization of intangible assets	88,727	11,997
Allowance for (recovery from) expected credit losses	(3,000)	16,270
Shares issued for services	215,152	-
Transaction costs	141,200	-
Share-based compensation	748,547	-
Finance expense	23,774	22,140
Unrealized loss on investments	9,554	-
Unrealized fair value adjustment on growth of biological assets	-	(297,615)
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:		
Accounts receivable	230,381	(38,378)
Biological assets associated with cash	-	(111,977)
Prepaid and deposits	(46,581)	(28,975)
Accounts payable and accrued liabilities	(26,090)	(118,324)
Total cash flow used in operating activities	(1,165,640)	(894,436)
Investing activities		
Purchase of property, plant and equipment	-	(291,712)
Purchase of intangible assets	-	(19,850)
Proceeds from sale of a subsidiary	-	11,000
Refund received from CannaProve	-	16,950
Cash acquired in Molecular Science Corp. acquisition	496,590	-
Cash advanced pursuant to MSC acquisition	(500,000)	-
Promissory note receivable repayments	3,000	3,000
Acquisition-related payments and advances	(385,022)	-
Total cash flow used in investing activities	(385,432)	(280,612)
Financing activities:		
Proceeds on equity issuances and private placement	4,547,640	-
Proceeds from government loan	-	40,000
Repayments on loan payable	(150,000)	-
Payments of lease liability	(94,608)	(69,500)
Exercise of options	3,000	-
Total cash flow generated from (used in) financing activities	4,306,032	(29,500)
Increase (decrease) in cash during the period	2,754,960	(1,204,548)
Cash, beginning of the period	438,633	1,567,938
Cash, end of the period	\$ 3,193,593	\$ 363,390

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

Canbud Distribution Corporation**Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020****(Expressed in Canadian dollars)****(Unaudited)**

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, 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 September 30, 2021, the Company had a deficit of \$5,304,588 (2020 - \$2,543,323). For the nine months ended September 30, 2021, the Company's net loss was \$2,775,085 (2020 - \$402,196), working capital of \$2,292,843 (2020 - \$317,511) and negative cash flows from operating activities was \$1,165,640 (2020 - \$894,436). Whether, and when, the Company can 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.

The outbreak of the novel coronavirus, specifically identified as "COVID-19", 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.

Canbud Distribution Corporation**Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020**

(Expressed in Canadian dollars)
(Unaudited)

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 November 29, 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:

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 Distribution Corporation**Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020****(Expressed in Canadian dollars)****(Unaudited)**

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.

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.

Molecular Science Corp. – The Company holds 100% interest in Molecular Science Corp., and its wholly-owned subsidiaries Molecular Science Product Corp., Molecular Science Genetics Corp., and Molecular Science Labs Corp. through an acquisition completed on July 8, 2021 (Note 4).

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.

Canbud Distribution Corporation**Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020****(Expressed in Canadian dollars)****(Unaudited)**

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. BUSINESS ACQUISITION

On July 8, 2021, the Company acquired all assets of Molecular Science Corp. ("MSC"), an analytical science and service company, carrying on the business of testing cannabis and related pharmaceutical products. The Company determined that the Acquisition was a business combination in accordance with the definition in IFRS 3, Business Combinations ("IFRS 3"), and as such, has accounted for it in accordance with this standard, with the acquisition date of July 8, 2021 (the "Acquisition date").

Goodwill arose from the acquisition comprised of assembled workforce, expected revenue growth, and future market development. These benefits were not recognized separately from goodwill as they do not meet the criteria for identifiable intangible assets.

Canbud Distribution Corporation
Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020
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The following table summarizes the purchase price allocation based on the fair value of the consideration transferred as of the Acquisition date:

Total purchase price consideration	
Cash (i)	\$ 500,000
Issued shares (ii)	3,137,793
Issued warrants (iii)	215,848
	3,853,641
Identified tangible assets and liabilities assumed	
Cash	496,590
Accounts receivable	445,106
Advances and other receivable	413,168
Prepaid	9,170
Investments	45,565
Property, plant and equipment	2,492,498
Accounts payable and accrued liabilities	(811,515)
Loan payable	(444,582)
Lease liability	(97,968)
Deferred revenue	(12,311)
Identified intangible assets	
Licenses	778,000
Intellectual property	328,000
Website	6,195
Goodwill	205,725
	\$ 3,853,641

- (i) The Company advanced \$500,000 bridge loan in June 2021, pursuant to the Acquisition Agreement entered on June 17, 2021, with MSC, was settled on Acquisition date.
- (ii) The Company issued 68,212,896 common shares on Acquisition date. Pursuant to the Acquisition Agreement, the common shares can not be traded in the open market immediately after Acquisition date. A total of 17,053,224 (25% of total common share issued on Acquisition date) each are freed for trading after four months, seven months, ten months, and thirteen months following the Acquisition date. The fair value of the common shares of \$3,137,793 was determined based the share price on the Acquisition date less discount, in the range of 30%-50%, due to restriction on reselling the common shares.
- (iii) The Company issued 3,958,800 warrants for a purchase price of \$0.30 per share until July 8, 2024 on Acquisition date. The fair value of the warrants of \$215,848 was determined based on Black -Scholes option pricing model using the following assumptions: expected volatility of 155.3%, expected life of 3 years, risk-free interest rate of 0.65%, and expected dividend yield of 0%.

In connection with the Acquisition, the Company issued 1,765,000 common shares for advisory fees on Acquisition date. The fair value of the common shares of \$141,200 was determined based on the share price on Acquisition date and recorded as transaction costs in the nine months ended September 30, 2021.

Canbud Distribution Corporation
Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020
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5. PREPAID AND DEPOSITS

	September 30, 2021	December 31, 2020
Marketing fees	\$ -	\$ 10,000
Deposits on rental	25,025	-
Prepayment on insurance and services	40,727	-
Total	\$ 65,752	\$ 10,000

6. ACCOUNTS RECEIVABLE

	September 30, 2021	December 31, 2020
Trade receivable	\$ 485,332	\$ -
Expected Credit loss	(139,199)	-
Harmonized Sales tax recoverable	11,055	42,695
Total	\$ 357,088	\$ 42,695

The Company provides for expected credit losses ("ECL") is based on its assessment of probability of specific losses and estimates of future individual exposures and provisions.

7. 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, September 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 nine months ended September 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 September 30, 2021. The share purchase agreement was closed on June 4, 2020, the same day that the Company issued Alami shares to purchaser.

Canbud Distribution Corporation
Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020
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(Unaudited)

8. INVESTMENTS

	September 30, 2021	
Investment-Akerna Corp. ⁽¹⁾	\$	28,512
Investment-EIR ⁽²⁾		7,500
Total	\$	36,012

⁽¹⁾ As at September 30, 2021, the Company held 7,905 common shares (December 31, 2020 – Nil) of the issued and outstanding shares of Akerna Corp. The fair value of the investment was determined at the closing price on September 30, 2021.

⁽²⁾ Consists of 150,000 founders shares from EIR International Corp. (“EIR”), a private company, at a cost of \$0.05 per share. As of September 30, 2021, the shares were valued at fair market value of \$7,500 (December 31, 2020 - \$Nil).

The Company recorded an unrealized loss on investments of \$9,554 (2020 - \$Nil) for the nine months ended September 30, 2021.

9. ACQUISITION-RELATED PAYMENTS AND ADVANCES

Payments/Advances to	September 30, 2021		December 31, 2020	
2688453 Ontario Ltd. ⁽¹⁾	\$	362,897	\$	296,400
Steep Hill Inc. ⁽²⁾		637,050		–
Total	\$	999,947	\$	10,000

⁽¹⁾ 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 2688453 Ontario Ltd. valued at \$296,400. The Company issued 760,000 common shares as finders’ fee valued at \$148,200, which has been recognized as consulting fee in 2020. During the nine months ended September 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. Subsequent to September 30, 2021, the Company mutually agreed to terminate the definitive agreement (Note 21).

Canbud Distribution Corporation

Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020

(Expressed in Canadian dollars)

(Unaudited)

(2) On February 15, 2021, MSC signed a non-binding Letter of Intent ("LOI") for the acquisition of Steep Hill Inc. ("Steep Hill"). In accordance with the LOI, MSC was advanced a loan of \$400,000 with a six-month maturity date and bearing an interest rate of 18% per annum from MSC's former director and officer of the Company ("The lenders"). During the nine months ended September 30, 2021, the Company repaid \$150,000 to the lenders and as of September 30, 2021, the balance of the loan, including accrued interest, was \$279,093. Pursuant to the LOI, MSC, in turn, advanced \$318,525 (US\$250,000) to Steep Hill (the "Advance").

Following the completion of the Acquisition with MSC (Note 4), the Company entered into a non-binding Letter of Intent ("new LOI") with Steep Hill on August 6, 2021 to acquire 100% of issued and outstanding shares of Steep Hill. Pursuant to the new LOI, the Company provided a secured and senior loan of \$318,525 (US\$250,000) to Steep Hill ("Secured loan"). Both the Advance and Secured loan are due on demand.

10. PROPERTY, PLANT AND EQUIPMENT

	<u>Right-of-use assets</u>			Production, processing and lab equipment	Office equipment, software and furniture	Vehicle	Total
	Office lease	Farms	Leasehold improvements				
Balance December 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions during the year	76,859	420,344	-	280,709	2,503	15,618	796,033
Balance, December 31, 2020	76,859	420,344	-	280,709	2,503	15,618	796,033
Additions from business acquisition (Note 4)	87,498	-	1,520,000	860,000	25,000	-	2,492,498
Additions during the period	-	-	-	-	-	-	-
Balance September 30, 2021	\$ 164,357	\$ 420,344	\$ 1,520,000	\$ 1,140,709	\$ 27,503	\$ 15,618	\$ 3,288,531

Accumulated amortization

Balance December 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions during the year	15,372	73,177	-	21,165	487	3,141	113,340
Balance, December 31, 2020	\$ 15,372	\$ 73,177	\$ -	\$ 21,165	\$ 487	\$ 3,141	\$ 113,340
Additions during the period	30,357	54,882	61,622	73,712	3,303	3,906	227,781
Balance September 30, 2021	\$ 45,729	\$ 128,059	\$ 61,622	\$ 94,877	\$ 3,790	\$ 7,046	\$ 341,121

Net book value

Balance December 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance December 31, 2020	\$ 61,487	\$ 347,167	\$ -	\$ 259,543	\$ 2,017	\$ 12,478	\$ 682,693
Balance September 30, 2021	\$ 118,628	\$ 292,285	\$ 1,458,378	\$ 1,045,831	\$ 23,714	\$ 8,572	\$ 2,947,410

Canbud Distribution Corporation
Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020
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11. INTANGIBLE ASSETS

	Licenses	Intellectual property	Clonal system development	IT Platform development and website	Total Intangible assets	Goodwill	Total Intangible assets and goodwill
Cost							
Balance December 31, 2019	\$ -	\$ -	\$ 217,800	\$ 26,021	\$ 243,821	\$ -	\$ 243,821
Additions during the year	-	-	26,250	-	26,250	-	26,250
Refund received during the year	-	-	-	(16,950)	(16,950)	-	(16,950)
Write-down during the year	-	-	-	(6,780)	(6,780)	-	(6,780)
Balance December 31, 2020	-	-	244,050	2,291	246,341	-	246,341
Additions from business acquisition (Note 4)	778,000	328,000	-	6,195	1,112,195	205,725	1,317,920
Additions during the period	-	-	-	-	-	-	-
Balance September 30, 2021	\$ 778,000	\$ 328,000	\$ 244,050	\$ 8,486	\$ 1,358,536	\$ 205,725	\$ 1,564,261
Accumulated amortization							
Balance December 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions during the year	-	-	24,405	458	24,863	-	24,863
Balance December 31, 2020	-	-	24,405	458	24,863	-	24,863
Additions during the period	38,900	11,714	36,606	1,507	88,727	-	88,727
Balance September 30, 2021	\$ 38,900	\$ 11,714	\$ 61,011	\$ 1,965	\$ 113,590	\$ -	\$ 113,590
Net book value							
Balance December 31, 2019	\$ -	\$ -	\$ 217,800	\$ 26,021	\$ 243,821	\$ -	\$ 243,821
Balance December 31, 2020	\$ -	\$ -	\$ 219,645	\$ 1,833	\$ 221,478	\$ -	\$ 221,478
Balance September 30, 2021	\$ 739,100	\$ 316,286	\$ 183,039	\$ 6,521	\$ 1,244,946	\$ 205,725	\$ 1,450,671

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.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2021	December 31, 2020
Accounts payable	\$ 438,886	\$ 35,877
Accrued liabilities	476,970	73,490
Total	\$ 915,856	\$ 109,367

Canbud Distribution Corporation
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13. LEASE LIABILITY

The Company has three lease agreements with various landowners for lease of farmlands and two lease agreements 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.

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.

Office leases

The office lease recognized in 2020, commenced on January 1, 2020 for a term of five years. Upon completion of acquisition of MSC (Note 4), the Company assumed another office lease which expired in July 2022.

As at	September 30, 2021	December 31, 2020
Balance, beginning of the period/year	\$ 407,823	\$ –
New leases ⁽¹⁾	–	497,203
Lease assumed on business acquisition (Note 4)	97,968	–
Interest lease expense	21,317	28,565
Lease payments	(94,607)	(117,945)
Balance, end of the period/year	\$ 432,501	\$ 407,823

⁽¹⁾ Recognized using a discount rate in the range of 6% - 70%.

Canbud Distribution Corporation
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The future minimum lease payments due are as follows:

	September 30, 2021	December 31, 2020
No more than a year	\$ 189,275	\$ 107,053
1-5 years	298,535	372,269
Total future minimum lease payments	487,810	479,322
Less: amount representing interest	(55,309)	(71,499)
Present value of minimum lease payments	432,501	407,823
Less: current portion	(163,342)	(75,450)
Non-current portion	\$ 269,159	\$ 332,373

	September 30, 2021	December 31, 2020
Principal payments	\$ 73,290	\$ 89,380
Lease expense	21,318	28,565
Lease payments	\$ 94,608	\$ 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 \$1,764 (2020 – \$1,764) and variable lease payments \$13,375 (2020 – \$13,375) for the nine months ended September 30, 2021, in rent expense.

14. 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 \$1,909 the condensed interim consolidated statements of loss and comprehensive loss for the nine months ended September 30, 2021.

Canbud Distribution Corporation**Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020**

(Expressed in Canadian dollars)

(Unaudited)

	September 30, 2021	December 31, 2020
Opening	\$ 34,657	\$ –
Loan received	–	40,000
Value attributed to the governmental subsidy	–	(6,758)
Finance expense	1,909	1,415
Total	\$ 36,566	\$ 34,657

15. 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 9)	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 pursuant to MSC acquisition (Note 4)	68,212,896	3,137,793
Issued for services (Note 4)	1,765,000	141,200
Issued on exercise of options	24,000	5,707
Balance September 30, 2021	156,061,493	\$ 8,889,724

(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 16). 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.

Canbud Distribution Corporation**Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020****(Expressed in Canadian dollars)****(Unaudited)**

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 16).

(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.

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 16).

(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 September 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 nine months ended September 30, 2021 was 102,991,556 (2020– 38,288,000).

For the nine months ended September 30,	2021	2020
Loss attributable to common shareholders	\$ (2,775,085)	\$ (402,196)
Weighted average number of common shares outstanding	102,991,556	38,288,000
Loss per share basic and diluted	\$ (0.03)	\$ (0.01)

Canbud Distribution Corporation
Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020
(Expressed in Canadian dollars)
(Unaudited)

16. 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 September 30, 2021, the Company had 16,686,299 options reserved on common shares.

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) (vi)}	8,500,000	0.070
Exercised	(24,000)	0.125
Outstanding, September 30, 2021	14,526,000	0.123

- (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.
- (vi) On August 9, 2021, the Company granted 7,000,000 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 5, 2026.

Canbud Distribution Corporation**Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020****(Expressed in Canadian dollars)****(Unaudited)**

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:

	Nine months ended September 30, 2021	Year ended December 31, 2020
Volatility	114-155%	148%
Expected life	4.5 years	5 years
Risk-free interest rate	0.34 - 0.88%	0.46%
Forfeiture rate	0%	0%
Expected dividend yield	0%	0%

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

Options outstanding and exercisable			
Exercise price \$	Number of Options	Remaining contractual life in years	Weighted average exercise price \$
0.125	6,026,000	4.15	0.05
0.22	300,000	3.30	0.00
0.22	300,000	3.30	0.00
0.22	300,000	3.31	0.00
0.22	600,000	3.50	0.01
0.10	7,000,000	4.85	0.05
	14,526,000	4.42	0.12

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 15 (ii))	22,682,253	0.22
Issued (Note 15 (iii))	17,989,438	0.22
Issued (Note 4)	49,630,491	0.30
Outstanding, September 30, 2021	49,630,491	0.22

Canbud Distribution Corporation**Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020****(Expressed in Canadian dollars)****(Unaudited)**

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:

	Nine months ended September 30, 2021	Year ended December 31, 2020
Volatility	155.3 - 169%	153%
Expected life	2 -3 years	1 years
Risk-free interest rate	0.29 – 0.65%	0.26%
Forfeiture rate	0%	0%
Expected dividend yield	0%	0%

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

Warrants outstanding and exercisable				
Exercise price \$	Number of Warrants	Remaining contractual life in years	Weighted average exercise price \$	
0.20	5,000,000	0.15	0.02	
0.22	21,992,333	1.40	0.10	
0.22	689,920	1.40	0.00	
0.22	17,417,013	1.44	0.08	
0.22	572,425	1.44	0.00	
0.30	3,958,800	2.77	0.02	
	49,630,491	1.40	0.22	

17. NON-CONTROLLING INTERESTS

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

	September 30, 2021		
	D580 Inc.	D238 Inc.	D172 Inc.
Current assets	\$ 120	\$ 80	\$ -
Non-current assets	60,830	23,999	210,144
Total assets	60,950	24,079	210,144
Current liabilities	44,983	26,215	291,223
Non-current liabilities	64,102	21,582	211,322
Total liabilities	109,085	47,797	502,545
Equity attributable to shareholders of the Company	(28,929)	(21,091)	(253,084)
Non-controlling interests	\$ (19,206)	\$ (2,627)	\$ (39,317)

Canbud Distribution Corporation**Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020****(Expressed in Canadian dollars)****(Unaudited)**

	September 30, 2021		
	D580 Inc.	D238 Inc.	D172 Inc.
Net loss and comprehensive loss attributable to shareholders of the Company	\$ (10,728)	\$ (4,455)	\$ (48,887)
Net loss and comprehensive loss attributable to NCI	\$ (7,152)	\$ (556)	\$ (6,111)

	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)

	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

18. 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 nine months ended	September 30, 2021	September 30, 2020
Consulting fee	\$ 202,600	\$ 193,500
Director fees	15,755	-
	\$ 218,355	\$ 193,500

19. 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.

Canbud Distribution Corporation**Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020****(Expressed in Canadian dollars)****(Unaudited)**

As at September 30, 2021, the Company's total managed capital comprised of equity attributable to the equity holders of the Company \$7,446,297 (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 September 30, 2021 consist of cash, promissory note receivable, accrued liabilities and payables, loan payable 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 September 30, 2021, except for CEBA loan (Note 14), which is non-interest bearing until December 31, 2022 and loan payable with a fixed interest rate.

(c) Currency risk

The Company's balances are all in Canadian dollars as of September 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 September 30, 2021, is the carrying amount of cash, accounts receivable 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 on trade receivable was \$139,199.

(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, loan payable 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.

In addition to the commitments in Note 20, the Company has the following undiscounted contractual obligations as at September 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	\$	915,856	\$	–	\$ 915,856
CEBA loan		–		40,000	40,000
Loan payable		279,093		–	279,093
Lease liability		189,276		298,534	487,810
Total	\$	1,384,225	\$	338,534	\$ 1,722,759

Canbud Distribution Corporation**Notes to Consolidated Financial Statements for the nine months ended September 30, 2021 and 2020****(Expressed in Canadian dollars)****(Unaudited)**

As of September 30, 2021, the Company had cash of \$3,193,593 (December 31, 2020 - \$438,633) and total equity attributable to the equity holders of the Company was \$7,446,297 (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.

20. COMMITMENTS AND CONTINGENCIES**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 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.

21. SUBSEQUENT EVENTS

On October 5, 2021, the Company and 2688453 Ontario Ltd. mutually agreed to terminate the definite agreement entered into on December 4, 2020 (Note 9 (i)). As consideration of the termination, in addition to the 1,520,000 common shares already issued and settlement of \$66,497 cash advance, the Company agreed to issue 3,040,000 common shares to 2688453 Ontario Ltd. The common shares issued are in escrow and will be released in three different tranches as follows: 1,246,667 to be released on February 6, 2022, 896,667 on June 1, 2022 and 896,667 on December 1, 2022.