Champignon Brands Inc. (Formerly, Nature Leaf Wellness Corp.)

Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

For the three month period ended December 31, 2019

NOTICE OF NO AUDITOR REVIEW

Under National Instrument 51-102, Part 4 subsection 4.3 (3), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the unaudited condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of Champignon Brands Inc. have been prepared by and are the responsibility of management.

These condensed interim financial statements for the three month period ended December 31, 2019 have not been reviewed or audited by the Company’s independent auditors in accordance with standards established by the Chartered Professional Accountants of Canada.

Champignon Brands Inc. (Formerly, Nature Leaf Wellness Corp.)
Statement of Financial Position
(Expressed in Canadian Dollars)

As at	Notes	December 31, 2019 $	September 30, 2019 $
ASSETS			
Current assets			
Cash		705,385	855,669
GST receivable		12,152	-
Prepaid expenses	3	80,634	153,093
Inventory	4	106,532	33,783
		904,703	1,042,545
Non-current assets			
Intangible asset	5	114,929	117,929
TOTAL ASSETS		**1,019,632**	**1,160,474**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6, 7	60,908	53,263
TOTAL LIABILITIES		**60,908**	53,263
SHAREHOLDERS' EQUITY			
Share capital	8	1,269,500	1,269,500
Reserve	8	10,434	10,434
Deficit		(321,210)	(172,723)
TOTAL SHAREHOLDERS' EQUITY		**958,724**	1,107,211
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,019,632**	**1,160,474**

Nature and continuance of operations (Note 1)

Approved on behalf of the Board:

"Gareth Birdsall" | *"Matthew Fish"*

Gareth Birdsall, Director | Matthew Fish, Director

(Expressed in Canadian Dollars)

For the three month period ended,	Notes	December 31, 2019 $
Expenses		
Advertising and promotion		(66,500)
Amortization	5	(3,000)
Consulting fees	7	(37,750)
Design fees		(12,940)
Foreign exchange		4,295
Legal fees		(22,214)
Office and miscellaneous		(3,207)
Net loss and comprehensive loss for the period		**(148,487)**
Loss per share – basic and diluted		**(0.01)**
Weighted average number of common shares outstanding – basic and diluted		**20,521,001**

The Company was incorporated on March 26, 2019 and has a September 30 year-end, therefore there are no comparative period numbers prior to this date.

(Expressed in Canadian Dollars)

		Share capital				
	Notes	Number of shares #	Amount $	Reserve $	Deficit $	Total $
Incorporation, March 26, 2019						
Incorporation shares	8	1	-	-	-	-
Private placements (net of share issuance costs)	8	17,276,000	1,204,500	-	-	1,204,500
Shares issued for services	8	250,000	5,000	-	-	5,000
Shares issued for asset acquisition of intangible asset	5, 8	3,000,000	60,000	-	-	60,000
Warrants issued	8	-	-	10,434	-	10,434
Loss and comprehensive loss for the year		-	-	-	(172,723)	(172,723)
Balance at September 30, 2019		**20,521,001**	**1,269,500**	**10,434**	**(172,723)**	**1,107,211**
Loss and comprehensive loss for the period		-	-	-	(148,487)	(148,487)
Balance at December 31, 2019		**20,521,001**	**1,269,500**	**10,434**	**(321,210)**	**958,724**

(Expressed in Canadian Dollars)

For the period ended,	December 31, 2019 $
Operating activities	
Net loss for the period	(148,487)
Items not affecting operating cash:	
Amortization	3,000
Shares issued for services	
Changes in non-cash working capital items:	
Increase in inventory	(77,949)
Increase in accounts receivable	(12,152)
Decrease in prepaid expenses	77,659
Increase in accounts payable and accrued liabilities	7,645
Net cash flows used in operating activities	(150,284)
Decrease in cash	(150,284)
Cash, beginning	855,669
Cash, ending	**705,385**

Supplemental cash flow disclosure	$
Interest paid	-
Income taxes paid	-

The Company was incorporated on March 26, 2019 and has a September 30 year-end, therefore there are no comparative period numbers prior to this date.

1. Nature and continuance of operations

Champignon Brands Inc. (Formerly, Nature Leaf Wellness Corp.) (the "Company") was incorporated on March 26, 2019, under the laws of the province of British Columbia, Canada. The Company is engaged in the business of formulation and end distribution of a suite of artisanal mushroom infused beverage products, with the objective of promoting holistic health and wellness through a healthy diet. On June 7, 2019, the Company changed its name from Nature Leaf Wellness Corp. to Champignon Brands Inc. The Company's fiscal year-end is September 30.

The Company's principal address, records office and registered address are located at Suite 810 – 789 West Pender Street, Vancouver, BC, V6C 1H2.

These condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company is in the development stage and currently has no sources of cash from operations. Further funds will be required to successfully develop the Company's business and there is no certainty that these funds will be available. As at December 31, 2019 the Company had accumulated losses of $321,210 (September 30, 2019 - $172,723). Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations and ultimately achieve profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with issuance of common shares, loans from directors and companies controlled by directors and or profits from its business activities.

2. Significant accounting policies

Basis of presentation and statement of compliance

Statement of Compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and in accordance with IAS 34 – Interim Financial Reporting. The condensed interim financial statements do not include all the information required for annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended September 30, 2019. These condensed interim financial statements have been prepared following the same accounting policies as the Company's audited financial statements for the year ended September 30, 2019.

The Board of Directors approved these condensed interim financial statements on February 20, 2020.

Basis of Presentation

These condensed interim financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

The functional and presentation currency of the Company is the Canadian dollar.

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

Significant Accounting Policies

In preparing these condensed interim financial statements, the significant accounting policies and the significant judgments made by management in applying the Company's significant accounting policies and key sources of estimation uncertainty were the same as those that applied to the Company's audited financial statements for the year ended September 30, 2019, with exception to the new accounting policies adopted by the Company discussed below.

The preparation of condensed interim financial statements requires that the Company's management make judgments and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period. Actual future outcomes could differ from present estimates and judgments, potentially having material future effects on the Company's condensed interim financial statements. Estimates are reviewed on an ongoing basis and are based on historical experience and other facts and circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Changes in Accounting Standards

Several amendments to existing accounting standards became effective January 1, 2019 and were first adopted by the Company during the period ended December 31, 2019:

IFRS 16, Leases: This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 16. During the period ended December 31, 2019, the Company had no leases.

3. Prepaid expenses

Prepaid expenses consists of $45,200 (September 30, 2019 - $45,200) advance for the construction of a pop-up store, $25,000 (September 30, 2019 - $25,000) of research and development expenses, $Nil (September 30, 2019 - $72,459) for production orders to produce tea, and a prepayment of $10,434 (September 30, 2019 - $10,434) on consignment and marketing services (Note 8).

4. Inventory

Inventory consists of the following:

	December 31, 2019 $	September 30, 2019 $
Raw materials	-	13,783
Finished goods	106,532	20,000
	106,532	**33,783**

Raw materials consists of the ingredients used to produce tea. Finished goods consists of Auralite Minerals and finished tea products.

(Expressed in Canadian Dollars)

5. Intangible asset

	Website $
Cost:	
As at March 31, 2019 (incorporation)	**-**
Additions	120,000
As at September 30, 2019 and December 31, 2019	**120,000**
Accumulated amortization:	
As at March 31, 2019 (incorporation)	**-**
Additions	(2,071)
As at September 30, 2019	**(2,071)**
Additions	(3,000)
As at December 31, 2019	(5,071)
Net carrying amounts:	
As at September 30, 2019	**117,929**
As at December 31, 2019	**114,929**

On May 31, 2019, the Company entered into an asset purchase agreement with Tip Top Gizmos ("Tip Top") to acquire Tip Top's website ("Website") and all of the intellectual property related to the Website ("Acquired Assets"). As consideration, the Company paid $50,000 in cash and issued 3,000,000 common shares with a fair value of $60,000 (Note 8). The Company incurred an additional $10,000 for enhancing the features of the Website for the Company's operations. The Company uses the Website (https://vitalitysuperteas.com/) to advertise and sell its products.

6. Accounts payables and accrued liabilities

	December 31, 2019 $	September 30, 2019 $
Accounts payable (Note 7)	45,908	31,500
Accrued liabilities (Note 7)	15,000	21,763
	60,908	**53,263**

7. Related party transactions and balances

The Company has identified its directors and certain senior officers as its key management personnel.

Key management compensation consist of the following for the period from March 26, 2019 (incorporation) to September 30, 2019 and for the three month period ended December 31, 2019:

	December 31, 2019 $	Period from March 26, 2019 (incorporation) to September 30, 2019 $
Consulting fees charged by the CEO	15,000	31,500
Consulting fees charged by the CFO	1,500	-
	16,500	31,500

Included in accounts payable and accrued liabilities at September 30, 2019 is $46,500 owed to the CEO of the Company for consulting fees (Note 6). This amount is due on demand, unsecured, and without interest.

(Expressed in Canadian Dollars)

8. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the three month period ended December 31, 2019, the Company did not issue any shares.

The Company was incorporated on March 26, 2019, therefore, the Company did not issue any shares in the comparative period.

Escrow shares

As at December 31, 2019, 3,000,001 shares and 3,000,000 share purchase warrants are held in escrow and will be released based on the following:

On the date on which the common shares are first listed for trading on the exchange, ("Listing Date"), 300,000 common shares and 300,000 share purchase warrants will be released from escrow. The remaining 2,700,001 common shares and 2,700,000 share purchase warrants will be released pursuant to the following schedule:

6 months after the Listing Date	1/6 of the remaining escrow securities
12 months after the Listing Date	1/5 of the remaining escrow securities
18 months after the Listing Date	1/4 of the remaining escrow securities
24 months after the Listing Date	1/3 of the remaining escrow securities
30 months after the Listing Date	1/2 of the remaining escrow securities
36 months after the Listing Date	the remaining escrow securities

Warrants

The continuity of the Company's share purchase warrants pursuant is as follows:

	Number of share purchase warrants **#**	**Weighted average exercise price** **$**
Outstanding, incorporation	-	-
Granted	5,900,000	0.08
Outstanding, September 30, 2019 and December 31, 2019	5,900,000	0.08

As at December 31, 2019 and September 30, 2019, the Company had share purchase warrants exercisable to acquire common shares of the Company as follows:

Expiry date	**Exercise price** **$**	**Number of warrants** **#**
August 22, 2022	0.15	2,500,000
September 11, 2021	0.15	400,000
May 9, 2024	0.005	3,000,000
		5,900,000

8. Share capital (Continued)

Warrants (Continued)

Consignment and Marketing Agreement

The Company entered into an agreement (the "Consignment Agreement") dated September 11, 2019, with Drip Coffee Social Ltd. (the "Consignee") whereas the Company ("Consignor") is willing to deliver and sell consigned goods and the consignee is willing to assist in marketing consigned goods at pop-up events.

Pursuant to the Consignment Agreement, the Company issued 400,000 share purchase warrants ("consideration warrants") in consideration of the marketing services. The consideration warrants are exercisable at a price of $0.15 per share for a period of 2 years from the date of issue. The consideration warrants shall vest on completion of the following milestones:

1. 100,000 shall vest following Consignee providing the services for a period of at least one month;
2. 75,000 shall vest upon gross revenues from the sale of the goods exceeding $25,000;
3. 75,000 shall vest upon gross revenues from the sale of the goods exceeding $50,000; and
4. 150,000 shall vest upon gross revenues from the sale of the good exceeding $100,000.

The term of the agreement is 6 months and shall automatically renew for successive 6 month periods.

As at September 30, 2019 and December 31, 2019, the fair value of the warrants was determined to be $10,434 using the Black-Scholes Option Pricing Model, assuming a 0% dividend yield, 100% volatility, a risk free interest rate of 1.59%, and a term of 2 years. The fair value was also calculated based on the estimated probability of completing each milestone. As at September 30, 2019 and December 31, 2019, the Consignee has not provided any services, therefore the fair value assigned to the warrants was recognized as a prepaid expense (Note 3).

Reserve

The warrant reserve records the fair value of the common shares purchase warrants recorded using the Black-Scholes Option Pricing Model.

9. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

<u>Credit risk</u>
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk related to cash is assessed as low.

<u>Liquidity risk</u>
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. As of December 31, 2019, the Company had working capital of $843,795 (September 30, 2019 -$989,282) to cover short term obligations.

(Expressed in Canadian Dollars)

10. Financial risk and capital management (Continued)

Liquidity risk (Continued)

Historically, the Company's sole source of funding has been loans from related parties and private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as moderate.

Foreign exchange risk
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2019 and September 30, 2019, the Company did not have any financial instruments subject to interest rate risk.

Capital management
The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

Fair value
The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following is an analysis of the Company's financial assets measured at fair value using level inputs as at December 31, 2019 and September 30, 2019:

	As at December 31, 2019		
	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Cash	705,385	-	-
	As at September 30, 2019		
	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Cash	855,669	-	-

Accounts payable approximates its fair value due to its short-term maturity.