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

Condensed Interim Consolidated Financial Statements

Unaudited – Prepared by management

(Expressed in Canadian Dollars)

For the six month period ended March 31, 2020 and the period from incorporation on March 26, 2019 to March 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 consolidated financial statements, they must be accompanied by a notice indicating that the unaudited condensed interim consolidated financial statements have not been reviewed by an auditor.

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

These condensed interim consolidated financial statements for the six month period ended March 31, 2020 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.)
Condensed Interim Consolidated Statements of Financial Position
Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

As at	Notes	March 31, 2020 $	September 30, 2019 $
ASSETS			
Current assets			
Cash		1,519,680	855,669
Sales tax receivable		208,015	-
Prepaid expenses	4	351,823	153,093
Inventory	5	117,374	33,783
		2,196,892	1,042,545
Non-current assets			
Right-of-use asset	10	11,077	-
Intangible assets	6	11,860,462	117,929
TOTAL ASSETS		**14,068,431**	**1,160,474**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7,8	63,994	53,263
Lease liability	10	11,077	-
TOTAL LIABILITIES		**75,071**	53,263
SHAREHOLDERS' EQUITY			
Share capital	9	15,603,227	1,269,500
Reserve	9	1,479,158	10,434
Deficit		(3,089,025)	(172,723)
TOTAL SHAREHOLDERS' EQUITY		**13,993,360**	1,107,211
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**14,068,431**	**1,160,474**

Nature and continuance of operations (Note 1)

Subsequent events (Note 12)

Approved on behalf of the Board:

"Gareth Birdsall"

Gareth Birdsall, Director

"Matthew Fish"

Matthew Fish, Director

(Expressed in Canadian Dollars)

	Notes	Three months ended, March 31, 2020 $	Period from incorporation on March 26, 2019 to March 31, 2019 $	Six months ended, March 31, 2020 $	Period from incorporation on March 26, 2019 to March 31, 2019 $
Revenues		316	-	316	-
Cost of sales		(196)	-	(196)	-
		120	-	120	-
Expenses					
Accounting fees		14,671	-	14,671	-
Advertising and promotion		881,910	-	948,410	-
Amortization	6	3,000	-	6,000	-
Consulting fees	8	308,966	-	346,716	-
Filing fees		18,073	-	31,013	-
Foreign exchange		(4,001)	-	(8,296)	-
Legal fees		49,161	-	71,375	-
Office and miscellaneous		132,874	-	136,081	-
Research and development		50,000	-	50,000	-
Share-based compensation	8,9	1,320,452	-	1,320,452	-
Net loss and comprehensive loss for the period		**(2,774,986)**	**-**	**(2,916,302)**	**-**
Loss per share – basic and diluted		**(0.08)**	**-**	**(0.11)**	**-**
Weighted average number of common shares outstanding – basic and diluted		**32,404,705**	**1**	**26,462,853**	**1**

Champignon Brands Inc. (Formerly, Nature Leaf Wellness Corp.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
Unaudited – Prepared by Management
(Expressed in Canadian Dollars)

	Share capital				
	Number of shares #	Amount $	Reserve $	Deficit $	Total $
Incorporation, March 26, 2019					
Incorporation shares	1	-	-	-	-
Loss and comprehensive loss for the period	-	-	-	-	-
Balance at March 31, 2019	**1**	**-**	**-**	**-**	**-**
Balance at September 30, 2019	20,521,001	1,269,500	10,434	(172,723)	1,107,211
Initial public offering (net of cash share issuance costs)	18,916,667	2,581,601	-	-	2,581,601
Non-cash share issuance costs	-	(150,391)	150,391	-	-
Acquisition of Artisan Growers Ltd.	8,800,000	2,904,000	-	-	2,904,000
Acquisition of Novo Formulations Ltd.	13,500,000	3,915,000	-	-	3,915,000
Acquisition of Tassili Life Sciences Corp.	17,500,001	5,075,000	-	-	5,075,000
Finder warrants exercised	21,324	8,517	(2,119)	-	6,398
Share-based compensation	-	-	1,320,452	-	1,320,452
Loss and comprehensive loss for the period	-	-	-	(2,916,302)	(2,916,302)
Balance at March 31, 2020	**79,258,993**	**15,603,227**	**1,479,158**	**(3,089,025)**	**13,993,360**

(Expressed in Canadian Dollars)

	Six months ended March 31, 2020 $	Period from incorporation on March 26, 2019 to March 31, 2019 $
Operating activities		
Net loss for the period	(2,916,302)	-
Items not affecting operating cash:		
Amortization	6,000	-
Share-based compensation	1,320,452	-
Changes in non-cash working capital items:		
Increase in inventory	(73,591)	-
Increase in sales tax	(82,169)	-
Increase in prepaid expenses	(198,730)	-
Increase in accounts payable and accrued liabilities	10,731	-
Net cash flows used in operating activities	**(1,933,609)**	-
Investing activities		
Cash acquired on asset acquisition	9,621	-
Net cash flows provided by investing activities	**9,621**	-
Financing activities		
Initial public offering, net of share issuance costs	2,581,601	-
Warrants exercised	6,398	-
Net cash flows provided by financing activities	**2,587,999**	-
Increase in cash	664,011	-
Cash, beginning	855,669	-
Cash, ending	**1,519,680**	**-**

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

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

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 manufacturing of novel ketamine, anesthetics and delivery platforms for nutraceutical and psychedelic medicine and the formulation and end distribution of a suite of mushroom infused beverage products. On June 7, 2019, the Company changed its name from Nature Leaf Wellness Corp. to Champignon Brands Inc. The shares of the Company are traded on the Canadian Securities Exchange ("CSE") (CSE:SHRM), United States OTC stock market (OTCQB:SHRMF) and on the Frankfurt Stock Exchange (FWB:496). The Company's fiscal year-end is September 30. The Company's principal address is Suite 2300 - 1177 West Hastings Street Vancouver, BC V6E 2K3 records office and registered address are located at Suite 704-595 Howe Street, Vancouver BC V6C2T5.

On February 28, 2020, the Company completed its initial public offering (the "IPO") of 18,916,667 common shares of the Company at a price of $0.15 per share for gross proceeds of $2,837,500. The Company listed its common shares on the Canadian Securities Exchange effective February 27, 2020 under the trading symbol "SHRM."

These condensed interim consolidated financial statements (the "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. 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 March 31, 2020 the Company had accumulated losses of $3,089,025 (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 related parties or profits from its business activities.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. Significant accounting policies

Basis of presentation and statement of compliance

Statement of Compliance

These 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 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 period from incorporation on March 26, 2019 to September 30, 2019. These financial statements have been prepared following the same accounting policies as the Company's audited financial statements for the period from incorporation on March 26, 2019 to September 30, 2019.

The Board of Directors approved these financial statements on May 29, 2020.

2. Significant accounting policies (continued)

Basis of Presentation

These 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 and its subsidiaries is the Canadian dollar.

Basis of Consolidation

As at March 31, 2020, the Company has the following subsidiaries:

Name	Country of Incorporation	Interest
Tassili Life Sciences Corp.	Canada	100%
Artisan Growers Ltd.	Canada	100%
Novo Formulations Ltd.	Canada	100%

These financial statements include the accounts of the Company and its controlled entities. Control is achieved when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Company until the date on which control ceases. All inter-company transactions, balances, income and expenses are eliminated upon consolidation.

Significant Accounting Policies

In preparing these 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 period from incorporation on March 26, 2019 to September 30, 2019, with exception to the new accounting policies adopted by the Company discussed below.

Share-based payments

The Company grants stock options to buy common shares of the Company to Directors, Officers, employees and certain consultants. The Board of Directors grants such options for periods of up to five (5) years, with vesting periods determined at its sole discretion and at prices equal to the discounted market price, as calculated pursuant to the policies of the CSE, or such other minimum price as may be require by the CSE.

The fair value is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based compensation arrangement or is otherwise beneficial to the grantee at the date of modification over the remaining vested period.

2. Significant accounting policies (continued)

The preparation of 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 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 March 31, 2020:

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. On October 1, 2019, the Company did not have any leases and accordingly, there was no impact on adoption of this standard.

Significant Accounting Judgements, Estimates and Assumptions

The preparation of these financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statements of financial position date, could result in a material adjustment to the carrying amounts of assets or liabilities. In the event that actual results differ from the assumptions made, relate to, but are not limited to the following:

Share-based payments

The estimation of share-based payments requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of stock options and warrants granted and the time of exercise of those stock options and warrants. The model used by the Company is the Black-Scholes Option Pricing Model.

(Expressed in Canadian Dollars)

Significant Accounting Judgements, Estimates and Assumptions (continued)

Estimated useful lives and depreciation of intangible assets

Depreciation of finite-life intangible assets is dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Business combinations and asset acquisitions

Judgement is required to determine if the Company's acquisition represented a business combination or asset acquisitions. More specifically, management concluded that none of the Company's acquisitions represented a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. Since it was concluded that the acquisitions represented the purchase of assets, there was no goodwill generated on the transactions and acquisition costs were capitalized to the assets purchased rather than expensed. As the Company concluded that the acquisitions were asset acquisitions, an allocation of the purchase price to the individual identifiable assets acquired, including intangible assets, and liabilities assumed based on their fair values at the date of purchase was required. The fair values of the net assets acquired were calculated using significant estimates and judgments. If estimates or judgments differed, this could result in a materially different allocation of net assets on the condensed interim consolidated statement of financial position.

3. Asset acquisitions

Artisan Growers Ltd.

On March 17, 2020, the Company acquired a 100% interest in Artisan Growers Ltd. ("Artisan Growers"). Artisan Growers is a British Columbia based craft mushroom research and cultivation company.

The acquisition has been accounted as a purchase of an asset (Note 2) and a summary is as follows:

Purchase price:	$
8,000,000 acquisition common shares	2,640,000
800,000 finder common shares	264,000
Total consideration	2,904,000
Net assets acquired:	
Right-of-use asset (Note 10)	11,077
Lease liability (Note 10)	(11,077)
Intellectual property (Note 6)	2,904,000
Total net assets acquired	2,904,000

The intellectual property is not yet ready for its intended use; therefore, no amortization has been recorded as at March 31, 2020.

(Expressed in Canadian Dollars)

3. Asset acquisitions (continued)

Novo Formulations Ltd.

On March 20, 2020, the Company acquire a 100% interest in Novo Formulations Ltd. ("Novo"). Novo is a research and development company developing novel and innovative delivery systems for the pharmaceutical and nutraceutical industries.

The acquisition has been accounted as a purchase of an asset (Note 2) and a summary is as follows:

Purchase Price:	$
12,500,000 acquisition common shares	3,625,000
1,000,000 finder common shares	290,000
Total consideration	3,915,000
Net assets acquired:	
Inventory	10,000
Intellectual property (Note 6)	3,905,000
Total net assets acquired	3,915,000

The intellectual property is not yet ready for its intended use; therefore, no amortization has been recorded as at March 31, 2020.

Tassili Life Sciences Corp.

On March 27, 2020, the Company acquired a 100% interest in Tassili Life Sciences Corp. ("Tassili"). Tassili is a research and development Company partnered with a multidisciplinary team of scientists and physicians at the University of Miami and are working to develop effective psilocybin-based therapeutics for the treatment of mild traumatic brain injuries and post traumatic stress disorder.

The acquisition has been accounted as a purchase of an asset (Note 2) and a summary is as follows:

Purchase price:	$
16,000,001 acquisition common shares	4,640,000
1,500,000 finder common shares	435,000
Total consideration	5,075,000
Net assets acquired:	
Cash	9,621
Sales tax receivable	125,846
Intellectual property (Note 6)	4,939,533
Total net assets acquired	5,075,000

The intellectual property is not yet ready for its intended use; therefore, no amortization has been recorded as at March 31, 2020.

(Expressed in Canadian Dollars)

4. Prepaid expenses

	March 31, 2020	September 30, 2019
	$	$
Advance for pop-up store	45,200	45,200
Advance for production orders	-	72,459
Consignment and marketing services	10,434	10,434
Marketing services	162,856	-
Consulting services	133,333	-
Research and development	-	25,000
	351,823	153,093

5. Inventory

Inventory consists of the following:

	March 31, 2020	September 30, 2019
	$	$
Raw materials	-	13,783
Finished goods	117,374	20,000
	117,374	33,783

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

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 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 (the “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 Consignment Agreement is 6 months and shall automatically renew for successive 6 month periods.

The fair value of the Consideration 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 impacted through management’s estimation of the probabilities of completing each milestone.

(Expressed in Canadian Dollars)

6. Intangible assets

	Intellectual property $	Website $	Total $
Cost:			
As at March 26, 2019 (incorporation)		**-**	**-**
Additions	-	120,000	120,000
As at September 30, 2019	-	120,000	120,000
Additions (Note 3)	11,748,553	-	11,748,553
As at March 31, 2020	11,748,553	120,000	11,868,533
Accumulated amortization:			
As at March 26, 2019 (incorporation)	**-**	**-**	**-**
Additions	-	(2,071)	(2,071)
As at September 30, 2019	-	(2,071)	(2,071)
Additions	-	(6,000)	(6,000)
As at March 31, 2020	-	(8,071)	(8,071)
Net carrying amounts:			
As at September 30, 2019	-	117,929	117,929
As at March 31, 2020	**11,748,553**	**111,929**	**11,860,462**

On May 31, 2019, the Company entered into an asset purchase agreement with Tip Top Gizmos ("Tip Top") to acquire Tip Top's website (the "Website") and all of the intellectual property related to the Website (the "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. 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.

The intellectual property is not yet ready for its intended use; therefore, no amortization has been recorded as at March 31, 2020.

7. Accounts payables and accrued liabilities

	March 31, 2020 **$**	September 30, 2019 $
Accounts payable	63,994	31,500
Accrued liabilities	-	21,763
	63,994	53,263

(Expressed in Canadian Dollars)

8. 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 March 31, 2019 and for the six month period ended March 31, 2020:

	March 31, 2020 **$**	March 31, 2019 $
Consulting fees charged by the CEO	35,000	-
Consulting fees charged by the CFO	7,500	-
Share-based compensation	69,456	-
	111,956	-

Included in accounts payable and accrued liabilities at March 31, 2020 is $1,575 (September 30, 2019 - $31,500) owed to related parties. This amount is due on demand, unsecured, and without interest.

9. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

During the six month period ended March 31, 2020, the Company had the following share capital transactions:

On February 28, 2020, the Company completed the IPO (Note 1) and issued 18,916,667 common shares at a price of $0.15 per share for gross proceeds of $2,837,500. The Company paid finders fees of $255,899 and issued 1,513,333 finder warrants (the "Finder Warrants") with an exercise price of $0.30 that expires on February 28, 2022. The grant date fair value of the Finder Warrants was $150,391, using the Black-Scholes Option Pricing Model with the following assumptions: expected life – 2 years; expected volatility – 100%; dividend yield – $0; and risk-free rate – 1.19%.

On March 17, 2020, the Company completed the acquisition of Aritsan Growers (Note 3) and issued 8,000,000 common shares with a fair value of $2,640,000. The Company also issued 800,000 finder common shares to an arm's length party with a fair value of $264,000.

On March 20, 2020, the Company completed the acquisition of Novo (Note 3) and issued 12,500,000 common shares with a fair value of $3,625,000. The Company also issued 1,000,000 finder common shares to an arm's length party with a fair value of $290,000.

On March 20, 2020, the Company completed the acquisition of Tassili (Note 3) and issued 16,000,001 common shares with a fair value of $4,640,000. The Company also issued 1,500,000 finder common shares to an arm's length party with a fair value of $435,000.

On March 20, 2020, the Company announced a normal course issuer bid (the "NCIB") to purchase up to an aggregate of 2,411,883 common shares. Purchases may commence through the CSE and/or alternative trading systems on March 27, 2020 and will conclude on the earlier of the date on which purchases under the bid have been completed or March 27, 2021.

(Expressed in Canadian Dollars)

9. Share capital (continued)

During the six month period ended March 31, 2020, the Company issued 21,324 common shares on the exercise of warrants for gross proceeds of $6,398 and reclassified the original fair value of $2,119 from reserve to share capital.

During the period from incorporation on March 26, 2019 to March 31, 2019, the Company issued one common share on incorporation.

Escrow shares

As at March 31, 2020, 2,700,001 shares and 2,700,000 share purchase warrants are held in escrow and will be released based on the following:

On the date on which the common shares were listed for trading on the CSE (the "Listing Date"), 300,000 common shares and 300,000 share purchase warrants were 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 is as follows:

	Number of share purchase warrants #	**Weighted average exercise price** $
Outstanding, March 26, 2019 (incorporation)	-	-
Granted	5,900,000	0.08
Outstanding, September 30, 2019	5,900,000	0.08
Granted	3,613,333	0.27
Exercised	(21,324)	0.30
Outstanding, March 31, 2020	9,492,009	0.15

As at March 31, 2020, the Company had share purchase warrants outstanding as follows:

Expiry date	**Exercise price** $	**Number of warrants** #
September 11, 2021	0.15	400,000
February 28, 2022	0.30	1,492,009
February 28, 2022	0.25	2,100,000
August 22, 2022	0.15	2,500,000
May 9, 2024	0.005	3,000,000
		9,492,009

(Expressed in Canadian Dollars)

9. Share capital (continued)

Stock Options

The Directors of the Company adopted a Stock Option Plan on October 15, 2019 (the "Plan") that allows it to grant options, subject to regulatory terms and approval, to its Officers, Directors, employees and certain consultants. The Plan is based on the maximum number of eligible shares equaling a rolling percentage of up to 10% of the Company's outstanding common shares, calculated from time to time.

The continuity of the Company's stock options is as follows:

	Number of stock options #	Weighted average exercise price $
Outstanding, March 26, 2019 (incorporation) and September 30, 2019	-	-
Granted	7,900,000	0.32
Outstanding, March 31, 2020	7,900,000	0.32

As at March 31, 2020, the Company had options outstanding and exercisable as follows:

Expiry date	Exercise price $	Number of options #
March 2, 2022	0.22	3,900,000
March 25, 2022	0.35	2,200,000
March 30, 2022	0.495	1,800,000
		7,900,000

On March 25, 2020, the Company granted stock options to consultants, Directors and Officers to purchase an aggregate of 3,900,000 common shares at an exercise price of $0.22 per common share for up to two years. The options vested upon grant. The grant date fair value of the options was measured at $451,465, using the Black-Scholes Option Pricing Model with the following assumptions: expected life – 2 years; expected volatility – 100%; dividend yield – $0; and risk-free rate – 1.19%.

On March 5, 2020, the Company granted stock options to consultants, Directors and Officers to purchase an aggregate of 2,200,000 common shares at an exercise price of $0.35 per common share for up to two years. the options vested upon grant. The grant date fair value of the options was measured at $403,217, using the Black-Scholes Option Pricing Model with the following assumptions: expected life – 2 years; expected volatility – 100%; dividend yield – $0; and risk-free rate – 0.66%.

On March 30, 2020, the Company granted stock options to consultants, Directors and Officers to purchase an aggregate of 1,800,000 common shares at an exercise price of $0.50 per common share for up to two years. The options vested upon grant. The grant date fair value of the options was measured at $465,770, using the Black-Scholes Option Pricing Model with the following assumptions: expected life – 2 years; expected volatility – 100%; dividend yield – $0; and risk-free rate – 0.47%.

Reserves

Reserves consist of the fair value of stock options (vested) and compensatory warrants issued.

(Expressed in Canadian Dollars)

10. Leases

On March 17, 2020, through the acquisition of Artisan, the Company acquired a cultivation facility lease expiring on August 1, 2020, subject to certain renewal term. The lease is reflected on the balance sheet as a right-of-use asset, with an associated lease liability. The discount rate applied to the lease is 5%.

Set out below are the carrying amounts of right of use assets and lease liabilities recognized and the movements during the period:

	Right-of-use asset Cultivation facility lease	Lease liabilities
	$	$
As at September 30, 2019	-	-
Additions (Note 3)	11,077	(11,077)
As at March 31, 2020	11,077	(11,077)

11. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks.

<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 March 31, 2020, the Company had working capital of $2,121,821 (September 30, 2019 -$989,282) to cover short term obligations.

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.

<u>Foreign exchange risk</u>
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.

<u>Interest rate risk</u>
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 March 31, 2020 and September 30, 2019, the Company did not have any financial instruments subject to interest rate risk.

11. Financial risk and capital management (continued)

Capital management
The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The management of the capital structure is based on the funds available to the Company in order to support its business and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders.

The Company is not subject to externally imposed capital requirements.

The Company's historical sources of capital have consisted of the sale of equity securities and loans payable. In order for the Company to acquire mineral properties and pay for administrative costs, the Company will need to raise additional amounts externally as needed.

There were no changes in the Company's management of capital during the period ended March 31, 2020.

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.

Accounts payable and accrued liabilities approximates its fair value due to its short-term maturity. Cash is measured at level 1 fair value financial asset.

12. Subsequent events

a) On April 30, 2020, the Company acquired 100% of Altmed Capital Corp. ("AltMed"). AltMed is a Canadian ketamine clinic operator, psychedelic medicine IP aggregator and novel drug discoverer.

   As consideration, the Company issued 75,674,000 common shares ("Consideration Shares"). 17,122,000 of the Consideration shares will be subject to a customary hold period under securities legislation and the remaining Consideration Shares will be subject to voluntary resale restrictions and released in five equal tranches every 3 months with the first release commencing thirty days following closing. Additionally, the Company issued 2,100,000 share purchase warrants in exchange for outstanding AltMed share purchase warrants. The Company issued 2,000,000 finder common shares in connection with the acquisition.

   As at the date of authorization of these financial statements, the initial accounting for the acquisition of AltMed is incomplete. As a result, the Company is unable to provide disclosure in accordance with IFRS 3 Business Combinations in respect of the following: (i) the amount and qualitative factors that make up goodwill that may be recognized, and the amount if any, of goodwill that is expected to be deductible for tax purposes; (ii) the fair values and gross contractual amounts of receivables acquired; (iii) the amounts recognized for each major class of assets and liabilities assumed; (iv) the amount of separately recognized transactions which may include acquisition-related professional fees and other costs that may be recognized as an expense in profit or loss.

12. Subsequent events (continued)

b) On May 12, 2020, the Company executed a term sheet agreement (the "Term Sheet") to acquire 100% of U.S. based Wellness Clinic of Orange County Inc. (the "Wellness Clinic"). The Wellness Clinic operates a ketamine infusion treatment centre located within the Mission Hospital's Laguna Beach Campus and is actively involved in research and complementary treatment protocols.

   As consideration, the term sheet contemplates the following:
   - US $600,000 on the date of closing;
   - 1,000,000 common shares of the Company on the date of closing (the "Initial Share Issuance"); and,
   - 500,000 common shares payable only if the Wellness Clinic collects revenues of at least US $1,500,000 within 18 months from the date of closing.

   The Initial Share Issuance is subject to a 12-month escrow period, and with the 500,000 common shares released 6 months following the closing date.

c) On May 11, 2020, the Company entered into a letter agreement with Canaccord Genuity Corp. ("Canaccord Genuity") and Eight Capital ("Eight" and together with Canaccord Genuity, the "Co-Lead Underwriters"), to purchase, on a bought deal private placement basis (the "Bought Deal"), 11,765,000 units of the Company (the "Units") at a price of $0.85 per Unit (the "Issue Price") amounting to aggregate gross proceeds of $10,000,250 (the "Offering").

   Each Unit shall be comprised of one common share of the Company and one half of one common share purchase warrant of the Company. Each Warrant shall be exercisable to acquire one Common Share at a price of $1.15 per Warrant for a period of 24 months from the closing of the Offering.

   The Offering will be conducted by a syndicate of underwriters (collectively, the "Underwriters") led by the Co-Lead Underwriters. The Company has granted the Co-Lead Underwriters an option (the "Underwriters' Option") to purchase up to an additional 5,882,500 Units at the Issue Price. The Underwriters' Option may be exercised in whole or in part upon written notice to the Company at any time up to 48 hours prior to the closing of the Offering. The Company has agreed to pay the Underwriters a cash commission payable on the closing date of the Offering equal to 7.0% of the aggregate gross proceeds of the Offering (including proceeds from the exercise of the Underwriters' Option) and to issue the Underwriters warrants (the "Broker Warrants"), exercisable to acquire, within 24 months from the closing of the Offering, in the aggregate, that number of Units which is equal to 7.0% of the number of Units sold under the Offering (including Units sold upon exercise of the Underwriters' Option), at an exercise price per Broker Warrant equal to the Issue Price.

d) Subsequent to March 31, 2020, the Company completed share buy backs totaling of 1,235,500 common shares for total consideration of $770,072.

e) Subsequent to March 31, 2020, the Company issued 3,607,201 common shares pursuant to warrant exercises for gross proceeds of $714,661.

f) Subsequent to March 31, 2020, the Company issued 100,000 common shares pursuant to stock option exercises for gross proceeds of $22,000.

g) On May 11, 2020, the Company granted 3,750,000 stock options to Officers with an exercise price of $0.99 and expire on May 11, 2022.

h) Subsequent to the period end, the Company received and has shipped two $50,000 bulk purchase orders for its consumer-packaged goods. These orders were final sales.