FORM 51-102F4

BUSINESS ACQUISITION REPORT

Item 1. Name and Address of Company

1.1 Name and Address of Company

CHAMPIGNON BRANDS INC.
Suite 605, 130 Brew Street
Port Moody, British Columbia
V3H 0E3

1.2 Executive Officer

Stephen Brohman
Chief Financial Officer
604 525-9409

Item 2. Details of Acquisition

2.1 Nature of Business Acquired

Champignon Brands Inc. (the "Company") completed its acquisition of all of the issued and outstanding shares of Novo Formulations Ltd. ("NFL") in accordance with the terms of a securities purchase agreement (the "Definitive Agreement") entered into with NFL and the selling securities holders of NFL (the "Vendors").

NFL is a specialty biotechnology company focused on research and development of novel and innovative delivery systems for the pharmaceutical and nutraceutical industries. NFL is actively formulating and developing bioavailable delivery platforms, including transdermal (topical); intranasal; sublingual; and, novel oral and suppository.

NFL has a network of university institutions, medical professionals and associated clinics in numerous health and wellness spaces that include psychiatry (depression, anxiety, PTSD and OCD), addiction (alcohol drug, obesity), neurology (concussion and neuropathic pain), rheumatology (osteoarthritis and rheumatoid arthritis), aging (dementia, probable Alzheimer's and mini-strokes) and metabolic disorders (diabetes).

2.2 Date of Acquisition

March 20, 2020

2.3 Consideration

In consideration for the acquisition of all of the issued and outstanding shares of NFL, the Company issued 12,500,000 common shares to the Vendors at a deemed price of $0.2475 per share, being the discounted closing price of the common shares of the Company as of the date prior to announcing the entry into of the Definitive Agreement on March 19, 2020.

2.4 Effect on Financial Position

The Company will look to integrate its existing medicinal mushroom extracts, as well as cultivated fungi, into certain proprietary delivery systems to be developed by NFL. The Company will also look to register intellectual property rights of NFL's delivery systems and further develop them. Such initiatives will require significant financing and there can be no assurance the intellectual property rights, development of delivery systems or integrations would be registered or completed in a timely fashion or at all.

The Company has absorbed NFL as a wholly owned subsidiary and engage independent contractors in NFL's network to further develop the intellectual property portfolio and will look to partner with the professionals in NFL's network to develop products in the future.

Other than set forth above, the Company does not presently have any plans or proposals for material changes to the affairs (corporate structure, personnel or management) of the Company, or NFL, that will have an impact on the financial performance and financial position of the Company.

2.5 Prior Valuations

The Company obtained a valuation report and purchase price allocation from RwE Growth Partners, Inc., dated July 6, 2020, in respect of NFL. Given the consideration for the acquisition involved common shares of the Company, that an active and liquid market for those shares existed, and that the Company was at arms-length from NFL, the report concluded that the most appropriate means of determining the fair market value of NFL, at the time of its acquisition by the Company, was to rely upon the consideration offered by the Company.

2.6 Parties to Transaction

The acquisition was not with an informed person, associate, or affiliate of the Company.

2.6 Date of Report

July 21, 2020.

Item 3. Financial Statements

The audited financial statements of NFL for the period from incorporation on September 25, 2019 to February 29, 2020 are included in this Business Acquisition Report.

NFL has not obtained the consent of the auditors to include the audit report thereon in this Business Acquisition Report.

NOVO FORMULATIONS LTD. (FORMERLY, THE SHANGHAI TRADING CO. LTD.)

FINANCIAL STATEMENTS

**FOR THE PERIOD FROM SEPTEMBER 25, 2019 (DATE OF INCORPORATION)
TO FEBRUARY 29, 2020**

(In Canadian Dollars)

UNIT# 168

Adam Kim
ADAM SUNG KIM LTD.
CHARTERED PROFESSIONAL ACCOUNTANT

4300 NORTH FRASER WAY
BURNABY, BC, V5J 5J8

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INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
Novo Formulations Ltd. (formerly The Shanghai Trading Co. Ltd.)

Opinion
I have audited the financial statements of Novo Formulations Ltd. (formerly The Shanghai Trading Co. Ltd.) (the "Company"), which comprise the statement of financial position as at February 29, 2020, and the statement of loss and comprehensive loss, statement of cash flows and statement of changes in equity for period from the date of incorporation September 25, 2019 to February 29, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2020, and its financial performance and its cash flow for the period from the date of incorporation September 25, 2019 to February 29, 2020 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material Uncertainty Related to Going Concern
I draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $5,260 during the year ended February 29, 2020 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of $5,260 since its inception, and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I are required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Adam Kim, CPA, CA.

"Adam Sung Kim Ltd."
Chartered Professional Accountant

Unit# 168 – 4300 North Fraser Way
Burnaby, BC, Canada V5J 5J8
July 8, 2020

NOVO FORMULATIONS LTD. (FORMERLY, THE SHANGHAI TRADING CO. LTD.)
Statement of Financial Position
As at February 29, 2020
(Expressed in Canadian dollars)

		February 29, 2020
Assets		
Cash	$	10
Total assets	$	10
Shareholders' equity		
Share capital		10
Contributed surplus		5,260
Accumulated deficit		(5,260)
Total shareholders' equity	$	10

Nature and continuance of operations *(note 1)*

Subsequent events *(note 9)*

Approved and authorized for issue on behalf of the Board of Directors on July 8, 2020

"Gareth Birdsall"
Director

The accompanying notes are an integral part of these financial statements.

NOVO FORMULATIONS LTD. (FORMERLY, THE SHANGHAI TRADING CO. LTD.)
Statement of Loss and Comprehensive Loss
For the period from September 25, 2019 (date of incorporation) to February 29, 2020
(Expressed in Canadian dollars)

		For the period from September 25, 2019 (date of incorporation) to February 29, 2020
Expenses		
Research costs	$	(5,260)
Net loss and comprehensive loss for the period	$	(5,260)
Loss per share – basic and diluted	$	(0.53)
Weighted average number of common shares outstanding		10,000

The accompanying notes are an integral part of these financial statements.

NOVO FORMULATIONS LTD. (FORMERLY, THE SHANGHAI TRADING CO. LTD.)
Statements of Changes in Shareholders' Equity
For the period from September 25, 2019 (date of incorporation) to February 29, 2020
(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Balance, September 25, 2019 (date of incorporation)	-	-	-	-	-
Incorporation shares	10,000	10	-	-	10
Shareholders' contributions	-	-	5,260	-	5,260
Net loss for the period	-	-	-	(5,260)	(5,260)
Balance, February 29, 2020	10,000	10	5,260	(5,260)	10

The accompanying notes are an integral part of these financial statements.

NOVO FORMULATIONS LTD. (FORMERLY, THE SHANGHAI TRADING CO. LTD.)
Statement of Cash Flows
For the period from September 25, 2019 (date of incorporation) to February 29, 2020
(Expressed in Canadian dollars)

		For the period from September 25, 2019 (date of incorporation) to February 29, 2020
Cash flows used in operating activities		
Net loss for the period	$	(5,260)
Items not involving cash:		
Research costs contributed by shareholders		5,260
Cash used in operating activities		-
Cash provided by financing activities		-
Incorporation shares		10
Cash provided by financing activities		10
Increase in cash		10
Cash, beginning of period		-
Cash, ending of period	$	10

Supplemental cash flow information		
Taxes paid	$	-
Interest paid	$	-

The accompanying notes are an integral part of these financial statements.

1. Nature and Continuance of Operations

Novo Formulations Ltd. (formerly The Shanghai Trading Co. Ltd.) (the "Company") was incorporated under the *Canada Business Corporations Act* on September 25, 2019. The Company's registered head office is 704-595 Howe Street, Vancouver, British Columbia, V6C 2T5. The Company's current principal business activity is the development of novel delivery systems for pharmaceutical and nutraceutical industries.

At February 29, 2020, the Company had not yet achieved profitable operations, has accumulated losses of $5,260 since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned business, meet its on-going levels of corporate overhead and discharge its liabilities as they come due. These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does 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 may differ from those shown in these financial statements.

2. Basis of Presentation

(a) Statement of compliance

These annual financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**"). The accounting policies set out below have been applied consistently to all periods presented.

(b) Basis of presentation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value, as detailed in the Company's accounting policies.

(c) Functional and presentation currency

The Company's functional currency, as determined by management, is the Canadian dollar. These financial statements are presented in Canadian dollars.

(d) Use of estimates and judgements

The preparation of these financial statements require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3. Significant Accounting Policies

A summary of the significant accounting policies, which have been applied consistently to all periods presented in the accompanying financial statements are set out below:

Research and development

Research costs are expensed in the year incurred. Accordingly, internal research costs are expensed as incurred. Third-party research costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research costs related to both present and future products are expensed in the period incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures will be expensed as incurred. No development costs have been capitalized to date.

Financial instruments

Effective September 25, 2019 (date of incorporation), the Company has adopted IFRS 9 Financial Instruments ("IFRS 9"), replacing existing standards and interpretations, including IAS 39 Financial Instruments: Recognition and Measurement.

Classification

On initial recognition, the Company determines the classification of financial instruments based on the following categories:

1. Measured at amortized cost
2. Measured at fair value through profit or loss (FVTPL)
3. Measured at fair value through other comprehensive income (FVOCI)

The classification under IFRS 9 is based on the business model under which a financial asset is managed and on its contractual cash flow characteristics. Assets held for the collection of contractual cashflows and for which those cash flows correspond solely to principal repayments and interest payments are measured at amortized cost. Contracts with embedded derivatives where the host is a financial instrument in the scope of the standard will be assessed as a whole for classification.

A financial asset is measured at amortized cost if both of the following criteria are met:

1. Held within a business model whose objective is to hold assets to collect contractual cash flows; and
2. Contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives), or if the Company has chosen to evaluate them at FVTPL.

Measurement

Initial recognition – A financial asset or financial liability is initially recorded at its fair value, which is typically the transaction price, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. In the event that fair value is determined to be different from the transaction price, and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets, then the difference between fair value and transaction price is recognized as a gain or loss at the time of initial recognition.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Measurement (Continued)

Amortized cost – The amount at which a financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit losses. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount on initial recognition.

Fair value through profit or loss – Changes in fair value after initial recognition, whether realized or not, are recognized through the statements of net loss and comprehensive loss. Income arising in the form of interest, dividends, or similar, is recognized through the statements of net loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Fair value through other comprehensive income – Changes in fair value after initial recognition, whether realized or not, are recognized through other comprehensive income. Income arising in the form of interest, dividends, or similar, is recognized through the statements of net loss and comprehensive loss when the right to receive payment is established, the economic benefits will flow to the Company, and the amount can be measured reliably.

Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

Derecognition

Financial assets – The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred. Gains and losses from the derecognition are recognized in the statements of net loss and comprehensive loss.

Financial liabilities – The Corporation derecognizes a financial liability when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of the derecognized financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the statements of net loss and comprehensive loss.

Basic loss per common share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all potential dilutive common shares related to outstanding stock options and warrants issued by the Company for the years presented, except if their inclusion proves to be anti-dilutive.

3. Significant Accounting Policies (Continued)

Income taxes

Income taxes are comprised of current and deferred tax. Income tax is recognized in the statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in shareholders' equity (deficiency), in which case the income tax is also recognized directly in shareholders' equity (deficiency).

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using the tax rates and laws that have been enacted or substantively enacted at the statements of financial position dates and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable the assets can be recovered.

When applicable, deferred income tax assets and liabilities are presented as non-current.

Adoption of new accounting standards

IFRS 16 *Leases* was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

The Company applied the on incorporation. Management determined the standard had no impact on the financial statements of the Company as the Company has not had any leases as from incorporation to date.

4. Shareholders' Equity

Authorized share capital

The Company is authorized to issue an unlimited number of common and preferred shares with no par value.

Outstanding share capital

Period from September 25, 2019 (date of incorporation) to February 29, 2020:

During the period from September 25, 2019 (date of incorporation) to February 29, 2020, the Company issued 10,000 incorporation common shares with a fair value of $10.

During the period from September 25, 2019 (date of incorporation) to February 29, 2020, no preferred shares were issued.

Stock options and warrants

During the period from September 25, 2019 (date of incorporation) to February 29, 2020, no stock options or warrants were issued.

Contributed surplus

Contributed surplus consists of contributions made by shareholders' of the Company.

5. Related Party Transactions

Key management includes Directors and Officers of the Company.

During the period from September 25, 2019 (incorporation) to February 29, 2020, there were no transactions involving the compensation of key management.

During the year ended February 29, 2020, shareholders' of the Company contributed research costs of $5,260.

As at February 29, 2020, the Company did not have any amounts owing to key management.

6. Capital Management

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company defines capital as net equity and debt, comprised of issued common shares and accumulated deficit. The Company seeks to ensure that it has sufficient cash resources to maintain its ongoing operations and finance its research and development activities, corporate and administration expenses, working capital and overall capital expenditures. Since inception, the Company has primarily financed its liquidity needs through related parties.

The Company is not subject to externally imposed capital requirements.

7. Financial Instruments and Risk Management

Financial Instruments

The carrying value of cash approximates its fair value due to its short term nature.

Fair Value Hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy is summarized as follows:
Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2 – inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
Level 3 – inputs for assets and liabilities not based upon observable market data

The Company's cash have been valued using Level 1 inputs.

Financial Risk Factors

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash. The Company's credit risk is primarily attributable to cash which are deposited with a large Canadian financial institutions. The Company believes this credit risk is insignificant.

7. Financial Instruments and Risk Management (Continued)

(b) Liquidity risk

The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances and through short-term borrowing. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

(b) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company is not currently subject to any significant interest rate risk.

8. Income Taxes

A reconciliation of income taxes at the statutory rate with the reported taxes is as follows:

		February 29, 2020
Loss before income taxes	$	(5,260)
Combined federal and provincial tax rate		27.0%
Expected income tax recovery		(1,420)
Permanent differences		-
Change in unrecognized deductible temporary differences		1,420
Income tax recovery	$	-

Details of unrecognized deferred tax assets are as follows:

	February 29, 2020
Non-capital losses carried forward	5,260
Unrecognized deferred tax assets	(5,260)
Total	-

As at February 29, 2020, the Company had approximately $5,200 of non-capital losses available, which will expire in 2040 and may be applied against future taxable income.

Tax attributes are subject to revision, and potential adjustment, by tax authorities.

9. Subsequent Events

a) On March 18, 2020, the company and its shareholders entered into a Share Exchange Agreement (the "Share Exchange Agreement") with Champignon Brands Inc. ("Champignon"), whereby Champignon acquired all of the 10,000 issued and outstanding shares of the Company in exchange for 12,500,000 common shares of Champignon.

9. Subsequent Events (Continued)

b) Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus (COVID-19). The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows during the year ended February 28, 2021.