

**Champignon Brands Inc. (Formerly, Nature Leaf Wellness Corp.)**  
**Condensed Interim Consolidated Financial Statements**  
**For the three and nine months ended**  
**December 31, 2020**  
**Unaudited**  
**(Expressed in Canadian Dollars)**

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**Champignon Brands Inc. (Formerly, Nature Leaf Wellness Corp.)****Condensed Interim Consolidated Statements of Financial Position****Unaudited – Prepared by Management**

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**As at December 31, 2020 and March 31, 2020**

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		December 31, 2020	March 31, 2020
	Note	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash		11,790,463	3,051,566
GST receivable		243,910	1,930
Prepaid expenses	5	501,802	10,197
		12,536,175	3,063,693
<b>Non-current assets</b>			
Prepaid expenses – non-current	5	444,365	-
Property and equipment	7	31,469	-
Intangible assets	8	102,929	-
Goodwill	3, 8	6,980,803	-
<b>Total assets</b>		<b>20,095,741</b>	<b>3,063,693</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable		1,509,382	19,075
Accrued liabilities		47,893	10,000
Deferred revenue		18,175	-
Current portion of loan payable	12	3,859	-
Promissory note payable	13	49,967	49,967
		1,629,276	79,042
<b>Non-current liability</b>			
Loan payable	12	43,833	-
<b>Total liabilities</b>		<b>1,673,109</b>	<b>79,042</b>
<b>Shareholders' equity</b>			
Share capital	9	93,980,117	3,247,715
Subscription receivable	9	-	(275,000)
Obligation to issue shares	9	260,000	60,000
Reserves	9	12,341,092	1,877,093
Deficit		(88,158,577)	(1,925,157)
<b>Total shareholders' equity</b>		<b>18,422,632</b>	<b>2,984,651</b>
<b>Total liabilities and shareholders' equity</b>		<b>20,095,741</b>	<b>3,063,693</b>

Nature of operations and going concern (Note 1)

Commitment (Note 15)

Approved on behalf of the Board of Directors on March 19, 2021:

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*"Dr. Roger McIntyre"*

Director

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*"Matthew Fish"*

Director

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

**Champignon Brands Inc. (Formerly, Nature Leaf Wellness Corp.)**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**Unaudited – Prepared by Management**

		For the three month period ended, December 31, 2020 \$	For the three month period ended, December 31, 2019 \$	For the nine month period ended December 31, 2020 \$	For the period from incorporation on September 9 to December 31, 2019 \$
<b>Revenue</b>		286,841	-	761,699	-
Cost of sales		(265,043)	-	(676,061)	-
		21,798	-	85,638	-
<b>Expenses</b>	Note				
Advertising and promotion		105,452	-	1,223,596	-
Consulting fees	10	358,321	-	1,224,811	-
Depreciation	7, 8	3,721	-	14,573	-
Finance charges		-	-	134	-
Foreign exchange		863	-	(143)	-
Office and miscellaneous		81,355	-	301,059	-
Insurance		79,412	-	140,038	-
Professional fees	10	240,996	-	1,022,623	-
Research and development		577,121	-	1,551,869	-
Salaries		33,082	-	113,882	-
Inventory write-off	6	34,850	-	34,850	-
Loan accretion	12	304	-	304	-
Share-based compensation		-	-	2,808,726	-
Website development		60,879	-	101,465	-
<b>Loss from operating expenses</b>		(1,576,356)	-	(8,537,787)	-
Gain on government grant	12	12,612	-	12,612	-
Listing expense	4	-	-	(77,793,883)	-
<b>Loss and comprehensive loss for the period</b>		(1,541,946)	-	(86,233,420)	-
Weighted average number of common shares – basic and diluted		177,290,212	1	152,190,755	1
Basic and diluted loss per share		(0.01)	(0.00)	(0.57)	(0.00)

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

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

### Condensed Interim Consolidated Statements of Changes in Equity

#### Unaudited – Prepared by Management

For the period from incorporation on September 9, 2019 to March 31, 2020 and the nine months ended December 31, 2020

	Note	Number of shares #	Share Capital \$	Subscription receivable \$	Obligation to issue shares \$	Reserves \$	Deficit \$	Total shareholders' equity \$
September 9, 2019 (date of incorporation)		-	-	-	-	-	-	-
Common shares issued for cash	9	23,092	3,247,715	(275,000)	-	533,400	-	3,506,115
Obligation to issue shares	9	-	-	-	60,000	-	-	60,000
Warrants issued for services	9	-	-	-	-	1,343,693	-	1,343,693
Net loss for the period		-	-	-	-	-	(1,925,157)	(1,925,157)
March 31, 2020		23,092	3,247,715	(275,000)	60,000	1,877,093	(1,925,157)	2,984,651
Exercise of warrants	9	4,000	1,200,000	-	-	(1,199,996)	-	4
Common shares issued for cash	9	290	145,000	-	(60,000)	-	-	85,000
Share subscription received	9	-	-	275,000	-	-	-	275,000
Acquisition of CRTCE	3, 9	10,455	5,227,500	-	-	-	-	5,227,500
Reverse acquisition transaction								
Equity of Champignon	4	81,299,030	16,410,176	-	-	1,247,938	(16,677,990)	980,124
Elimination of equity of Champignon	4	-	(16,410,176)	-	-	(1,247,938)	16,677,990	(980,124)
Shares acquired from legal subsidiary	4	(37,837)	-	-	-	-	-	-
Issuance of shares pursuant to RTO	4, 9	75,674,000	69,104,176	-	-	-	-	69,104,176
Options and warrants assumed pursuant to RTO	4, 9	-	-	-	-	8,229,831	-	8,229,831
Issuance of finders' shares pursuant to RTO	4, 9	2,000,000	1,700,000	-	-	-	-	1,700,000
Issuance of units pursuant to private placement, net of issuance cost	9	17,647,500	13,192,958	-	-	642,301	-	13,835,259
Exercise of finders' warrants	9	169,682	67,768	-	-	(16,863)	-	50,905
Exercise of warrants	9	500,000	95,000	-	-	-	-	95,000
Obligation to issue shares	9	-	-	-	260,000	-	-	260,000
Share-based compensation	9	-	-	-	-	2,808,726	-	2,808,726
Net loss for the period		-	-	-	-	-	(86,233,420)	(86,233,420)
December 31, 2020		177,290,212	93,980,117	-	260,000	12,341,092	(88,158,577)	18,422,632

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

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**Champignon Brands Inc. (Formerly, Nature Leaf Wellness Corp.)****Condensed Interim Consolidated Statement of Cash Flows****Unaudited – Prepared by Management**

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	For the nine month period ended December 31, 2020 \$	For the period from incorporation on September 9, 2019 to December 31, 2019 \$
<b>Operating activities</b>		
Net loss for the period	(86,233,420)	-
Depreciation	14,573	-
Finance charges	134	-
Shares issuable for services	222,500	-
Gain on government grant	(12,612)	-
Loan accretion	304	-
Share-based compensation	2,808,726	-
Inventory write-off	34,850	-
Listing expense	77,793,883	-
Net change in non-cash working capital items	963,355	-
	<b>(4,407,707)</b>	-
<b>Financing activities</b>		
Issuance of shares/units for cash, net	13,920,259	-
Proceeds from the exercise of finders' warrants	50,905	-
Proceeds from the exercise of warrants	99,504	-
Proceeds from the exercise of stock options	33,000	-
Loan payable	60,000	-
Share subscriptions received	275,000	-
	<b>14,438,668</b>	-
<b>Investing activities</b>		
Cash acquired on acquisition of CRTCE	33,076	-
Cash paid on acquisition of CRTCE	(1,500,000)	-
Cash acquired on reverse acquisition	182,535	-
Lease payments made	(7,675)	-
	<b>(1,292,064)</b>	-
Change in cash	8,738,897	-
Cash, beginning of period	3,051,566	-
Cash, end of period	<b>11,790,463</b>	-

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

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

## Notes to the Condensed Interim Consolidated Financial Statements

### Unaudited – Prepared by Management

For the nine months ended December 31, 2020

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#### 1. Nature of operations and going concern

Champignon Brands Inc. (formerly, Nature Leaf Wellness Corp.) (“Champignon” or the “Company”) was incorporated on March 26, 2019, under the laws of the province of British Columbia, Canada. On June 7, 2019, the Company changed its name from “Nature Leaf Wellness Corp.” to “Champignon Brands Inc.”. The Company’s primary office (head office and records office) is located at 1430 Hurontario Street., Mississauga, Ontario L5G 3H4. The Company is engaged in the business of formulation and manufacturing of novel ketamine, ketamine derivatives and other psychedelics, and delivery platforms for nutraceutical and psychedelic medicine while being supported by its psychedelic medicine clinic platform.

Altmed Capital Corp. (“Altmed”) was incorporated under the Canada Business Corporations Act on September 9, 2019. Altmed’s registered office is located at 1430 Hurontario Street., Mississauga, Ontario L5G 3H4. Altmed is in the start-up stage and is involved in the psychedelic industry.

On April 10, 2020 (and as completed on April 30, 2020), Champignon entered into an Amalgamation Agreement (the “Amalgamation Agreement”) with Altmed (Note 4). Pursuant to the Amalgamation Agreement, Champignon acquired all of the issued and outstanding securities in the capital of Altmed in exchange for the issuance of an aggregate of 75,674,000 (2,000 Champignon common shares for every 1 Altmed share held) common shares in the capital of Champignon to the shareholders of Altmed (collectively, the “Transaction”). Champignon also issued a total of 2,100,000 replacement warrants to warrant holders of Altmed. Lastly, the Company issued 2,000,000 common shares as finders’ shares (the “Finders’ Shares”) in connection with the Transaction. The Transaction constitutes a reverse acquisition (“RTO”) of Champignon by Altmed, with Altmed being the acquirer for accounting purposes. Accordingly, these condensed interim consolidated financial statements are a continuation of Altmed, with the net assets (liabilities) of Champignon being consolidated from April 30, 2020, as well as Champignon’s operating results from that date forward. The comparative figures are those of Altmed.

These condensed interim consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. As a company in the startup stage, the Company does not have traditional revenue sources, and historically has relied on share capital financing to cover its research, development and other operating expenditures. As at December 31, 2020, the Company had working capital of \$10,906,899 (March 31, 2020 - \$2,984,651), however, the Company has yet to achieve profitable operations, has accumulated losses of \$88,158,577 (March 31, 2020 - \$1,925,157) since inception and expects to incur further losses in the development of its business. Although the historical losses cast significant doubt about the Company’s ability to continue as a going concern, management has assessed that its overall working capital is sufficient for the Company to continue as a going concern beyond one year. If the going concern assumption were not appropriate for these financial statements, it could be necessary to restate the Company’s assets and liabilities on a liquidation basis.

In March 2020, the World Health Organization declared coronavirus, specifically identified as “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 ability to raise capital or conduct development activities. There are travel restrictions and health and safety concerns in all areas in which the Company operates that may prohibit or delay certain operating activities from proceeding. Various government wage and loan subsidies are available to qualified companies to assist them with operating costs during the pandemic. To date, neither the Company nor its subsidiaries have qualified for assistance, but the various programs are constantly being expanded and relaxed, which may qualify the Company and its subsidiaries for assistance.

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

## Notes to the Condensed Interim Consolidated Financial Statements

### Unaudited – Prepared by Management

For the nine months ended December 31, 2020

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#### 1. Nature of operations and going concern (continued)

On June 22, 2020, Champignon had been selected for a continuous disclosure review by the British Columbia Securities Commission (the "Commission"). The review related to the Champignon's disclosure obligations since it became a reporting issuer on February 6, 2020 and includes a review of the disclosure surrounding certain asset acquisitions completed by Champignon prior to the RTO. In connection with the review, the Commission issued a cease trade order suspending trading in the securities of Champignon, pending the filing of business acquisition reports by the Company in connection with the acquisitions completed by Champignon, of Artisan Growers Ltd., Novo Formulations Ltd. and Tassili Life Sciences Corp. As a result of the cease trade order, trading in the common shares of the Company was suspended on the Canadian Securities Exchange ("CSE"). In July 2020, the Company filed all of the required business acquisition reports and the cease trade order was subsequently revoked.

Concurrently with the revocation of the cease trade order, the Commission issued a replacement cease trade order, pending the filing of a revised material change report in connection with the RTO. Management continues to work with the Commission to have the cease trade order rescinded, which will allow securities of the Company to recommence trading.

#### 2. Significant accounting policies

##### Basis of presentation

These condensed interim consolidated financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's annual audited financial statements for the period ended March 31, 2020, and do not include all the information required for full annual financial statements 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"). These financial statements should be read in conjunction with the annual audited financial statements.

These condensed interim consolidated financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss ("FVTPL"). In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts on the condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

These financial statements were approved by the board of directors on March 19, 2021.

##### Basis of consolidation

These financial statements include the accounts of the Company and its wholly-owned, Canadian subsidiaries, as follows:

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Champignon	Legal parent company
Altmed	Psychedelic and health company
Tassili Life Science Corp. ("TLS")	Research and development company
Artisan Growers Ltd. ("AGL")	Mushroom cultivation company
Novo Formulations Ltd. ("NOVO")	Research and development company
Canadian Rapid Treatment Centre of Excellence ("CRTCE")	Ketamine clinic company

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A subsidiary is an entity controlled by the Company and is included in the financial statements from the date that control commences until the date that control ceases. The accounting policies of a subsidiary are changed where necessary to align them with the policies adopted by the Company.

These financial statements account for Champignon as a controlled entity requiring consolidation since the date of the RTO (Notes 1 and 4), effective April 30, 2020.

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

### Notes to the Condensed Interim Consolidated Financial Statements

#### Unaudited – Prepared by Management

For the nine months ended December 31, 2020

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## 2. Significant accounting policies (continued)

### Basis of consolidation (continue)

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in the preparation of these financial statements.

### Significant accounting policies

In preparing these condensed interim consolidated 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 September 9, 2019 to March 31, 2020, with exception to the new accounting policies adopted by the Company discussed below.

### Share-based payments

Champignon 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 required 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.

### Changes in Accounting Policy - Leases

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. Champignon acquired, through the acquisition of AGL, 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 (Note 7).

### Equipment

Equipment is measured at cost less accumulated depreciation and impairment losses. Equipment not available for use is not subject to depreciation. Depreciation is recognized on a straight-line basis over a term of five years.

An asset's residual value, useful life and depreciation method is reviewed at each reporting period and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Subsequent costs that meet the asset recognition criteria are capitalized, while costs incurred that do not extend the economic useful life of an asset are considered repairs and maintenance, which are accounted for as an expense recognized during the period. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and recognized in profit or loss.



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

## Notes to the Condensed Interim Consolidated Financial Statements

### Unaudited – Prepared by Management

For the nine months ended December 31, 2020

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#### 2. Significant accounting policies (continued)

##### Inventory

Inventory is valued at the lower of cost and net realizable value with cost based upon the weighted average method of inventory costing. The realizable value of finished goods is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of finished goods inventory is based on landed cost, which includes all costs incurred to bring inventory to the Company including product, conversion and packaging costs. If the Company determines the estimated net realizable value of the inventory is less than the carrying value of such inventory, it records a charge to cost of sales.

##### Intangible assets

Intangible assets are stated at cost less accumulated amortization. The Company capitalizes direct costs that are directly attributable to the acquisition or development of its website. The Company capitalizes direct costs incurred during the application and infrastructure development and graphical design development stages of its website development projects. All website costs incurred during the preliminary project stage, including planning and research, are expensed as incurred, as well as any costs incurred for content development and costs incurred once development is complete.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at least at the end of each reporting period. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the remaining amortization periods or methods, as appropriate, and are treated as changes in accounting estimates.

Intangible assets are amortized over the following methods and periods:

Type	Amortization method
Website	Straight-line basis over 10 years

##### Business combinations

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets acquired, liabilities assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Goodwill represents the difference between total consideration paid and the fair value of the net-identifiable assets acquired. Acquisition costs incurred are expensed to profit or loss. Contingent consideration is measured at its acquisition date fair value and is included as part of the consideration transferred in a business combination, subject to the applicable terms and conditions.

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. Management has one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved, which is used as the basis for estimating fair value. Identified intangible assets are fair valued using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

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

### Notes to the Condensed Interim Consolidated Financial Statements

#### Unaudited – Prepared by Management

For the nine months ended December 31, 2020

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## 2. Significant accounting policies (continued)

### Intangible assets (continued)

Acquisitions that do not meet the definition of a business combination are accounted for as asset acquisitions. Consideration paid for an asset acquisition is allocated to the individual identifiable assets acquired and liabilities assumed based on their relative fair values. Asset acquisitions do not give rise to goodwill.

During the measurement period (one year from the date of acquisition), the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon conclusion of the measurement period, any subsequent adjustments are recorded in the consolidated statement of loss and comprehensive loss.

### Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit (“CGU”) or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

### Impairment of intangible assets and goodwill

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment annually, and whenever events or circumstances that make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Finite life intangible assets are tested whenever there is an indication of impairment.

Goodwill and indefinite life intangible assets are tested annually for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Goodwill is allocated to CGUs or groups of CGU’s for impairment testing based on the level at which it is monitored by management, and not at a level higher than an operating segment. Goodwill is allocated to those CGUs or groups of CGUs expected to benefit from the business combination from which the goodwill arose, which requires the use of judgment.

An impairment loss is recognized for the amount by which the CGU’s carrying amount exceeds its recoverable amount. The recoverable amounts of the CGUs’ assets have been determined based on a fair value less costs of disposal. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGU, given the necessity of making key economic assumptions about the future. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying value of assets in the CGU. Any impairment is recorded in profit and loss in the period in which the impairment is identified. A reversal of an asset impairment loss is allocated to the assets of the CGU on a pro rata basis. In allocating a reversal of an impairment loss, the carrying amount of an asset shall not be increased above the lower of its recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior period. Impairment losses on goodwill are not subsequently reversed.

### Research and development expenditures

Expenditures on research activities are recognized as an expense in the period in which they are incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

### Notes to the Condensed Interim Consolidated Financial Statements

#### Unaudited – Prepared by Management

For the nine months ended December 31, 2020

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## 2. Significant accounting policies (continued)

### Revenue recognition

The Company adopted all requirements of IFRS 15 Revenue from Contracts with Customers (“IFRS 15”). IFRS 15 utilizes a methodical framework for entities to follow to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The IFRS 15 model contains the following five-step contract-based analysis of transactions guiding revenue recognition:

1. Identify the contract with a customer;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation(s) in the contract; and
5. Recognize revenue when or as the Company satisfies the performance obligation(s).

The Company derives revenues from the sale of tea products, sale of Auralite minerals, and providing health services. The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company’s activities as described below.

The sale of tea products and Auralite minerals is recognized when the products are shipped, or the products delivered, respectively, and when all significant contractual obligations have been satisfied. Revenues from providing health services is recognized when services have been delivered and all significant contractual obligations have been satisfied. There is no unfulfilled obligation that could affect the customer’s acceptance of the products after delivering the product. Revenue is shown net of returns and discounts.

In respect of the operations of CRTCE (Note 3) it derives revenue from providing Ketamine infusion treatments to patients. Initial treatments consist of four separate treatments over a two-week period. Revenues are recognized when each treatment is completed and payment is received or receivable upon rendering of treatments, provided that the amount to be received can be reasonably estimated and collection is reasonably assured. Payments received prior to patients receiving treatments is recorded as deferred revenue.

### Earnings (loss) per 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 year, 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.

### Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized

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

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for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available

#### 2. Significant accounting policies (continued)

##### Income taxes (continued)

against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

##### Use of estimates and critical judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates and judgments. Those areas requiring the use of management estimates and judgments include:

##### Estimates:

The determination of the fair value of stock options or warrants using stock pricing models requires the input of highly subjective variables, including expected price volatility. Wide fluctuations in the variables could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

##### Judgments:

- (i) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.
- (ii) Judgment is used in determining whether an acquisition is a business combination or an asset acquisition. Estimates are made as to the fair value of assets and liabilities acquired. The determination of these fair values involves a variety of assumptions. The Company measures all the assets acquired and liabilities assumed at their acquisition date fair values. Acquisition related costs are recognized as expenses in the periods in which the costs are incurred and the services are received. The excess of the aggregate of the consideration paid to obtain control over the net identifiable assets acquired and the liabilities assumed (net assets) in an asset acquisition, is recognized as a listing expense as of the acquisition date. The fair value of common shares issued as consideration paid based on a concurrent private placement is considered a significant judgment.
- (iii) Under IFRS, an impairment charge is required for both goodwill and other indefinite lived assets when the carrying amount exceeds the 'recoverable amount', defined as the higher of fair value less costs to sell and value in use. The Company's approach in determining the recoverable amount utilizes a discounted cash flow methodology, which necessarily involves making numerous estimates and assumptions regarding revenue growth, operating margins, tax rates, appropriate discount rates and working capital requirements. These estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material. In addition, judgments are applied in determining the level of cash-generating unit we identify for impairment testing and the criteria we use to determine which assets should be aggregated. A difference in testing levels could affect whether an impairment is recorded and the extent of impairment loss. Changes in the Company's business activities or structure may also result in changes to the level of testing in future periods.

#### 3. Business combination

On April 10, 2020 (and as amended and completed on April 29, 2020), Altmed entered into a Share Purchase Agreement (the "Share Purchase Agreement") with Canadian Rapid Treatment Center of Excellence Inc. ("CRTCE"), a ketamine clinic licensed by the College of Physicians and Surgeons in Ontario, Canada. Pursuant to the terms of the Share Purchase Agreement, Altmed paid \$1,500,000 in cash consideration and issued a total of 10,455 common shares with an aggregate fair value of \$5,227,500 (\$500 per share). This acquisition has been accounted for as a business combination as CRTCE met the definition of a business under IFRS 3, *Business Combinations* ("IFRS 3").

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In accordance with IFRS 3, the equity consideration on transfer was measured at fair value on the date of acquisition, which is the date control was obtained.

### 3. Business combination

Altmed is in the process of assessing the fair value of the net assets acquired and, as a result, the fair value of the net assets acquired may be subject to adjustments pending completion of final valuations and post-closing adjustments. The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the effective acquisition date:

	April 29, 2020
Net assets (liabilities) of CRTCE acquired:	\$
Cash	33,076
Receivables	503
Prepaid expenses	2,354
Equipment	21,632
Shareholder loan	7,354
Accounts payable and accrued liabilities	(58,222)
Net assets acquired	6,697
Consideration paid on business combination:	\$
Common shares (fair value of 10,455 common shares \$500 per share) (Note 9)	5,227,500
Cash consideration	1,500,000
Total consideration paid	6,727,500
Allocation of excess consideration over the fair value of net assets acquired:	
Goodwill (Note 8)	6,720,803

### 4. Reverse acquisition

As described in Note 1, on April 30, 2020, Champignon and Altmed completed a Transaction which constituted a RTO.

The Transaction resulted in the shareholders of Altmed obtaining control of the combined entity by obtaining control of the voting rights, governance, and management decision making processes, and the resulting power to govern the financial and operating policies of the combined entities.

The Transaction constitutes an RTO of Champignon by Altmed and has been accounted for as a RTO. Champignon qualified as a business under the definitions of IFRS 3, and the Transaction was treated as an issuance of common shares by Altmed for the net assets (liabilities) of Champignon as well as Champignon's public listing, with Altmed as the continuing entity. Goodwill was recorded with respect to the Transaction, reflecting management's estimate of the fair value of Champignon's artisanal mushroom infused beverage business. The excess of consideration over the fair value of net assets acquired has been recorded as a listing expense, consistent with the guidance of IFRS 3.

For accounting purposes, Altmed is treated as the accounting parent company (legal subsidiary) and Champignon as the accounting subsidiary (legal parent) in these financial statements. As Altmed was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these financial statements at their historical carrying values. Champignon's results of operations have been included from April 30, 2020 onwards.

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**Champignon Brands Inc. (Formerly, Nature Leaf Wellness Corp.)****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****For the nine months ended December 31, 2020**

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**4. Reverse acquisition (continued)**

The Company is in the process of assessing the fair value of the net assets acquired and, as a result, the fair value of the net assets acquired may be subject to adjustments pending completion of final valuations and post-closing adjustments. The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed at the effective acquisition date:

	April 30, 2020
Net assets (liabilities) of Champignon Brands Inc. acquired:	\$
Cash	182,535
Receivables	207,922
Inventory	107,891
Prepaid expenses	839,154
Equipment	6,853
Intangible assets – website	108,929
Accounts payable and accrued liabilities	(465,619)
Lease liability	(7,541)
Net assets acquired	980,124
Consideration paid on RTO:	\$
Common shares (fair value of 81,299,030 common shares \$0.85 per share) (Note 9)	69,104,176
Options and warrants assumed at RTO (Note 9)	8,229,831
Finder's common shares (fair value of 2,000,000 common shares at \$0.85 per share) (Note 9)	1,700,000
Total consideration paid	79,034,007
Allocation of excess consideration over the fair value of net assets acquired:	
Goodwill (Note 8)	260,000
Listing expense	77,793,883

The Transaction was measured at the fair value of the shares options and warrants that Altmed would have had to issue to the shareholders of Champignon, to give the shareholders of Champignon the same percentage equity interest in the combined entity that results from the reverse acquisition had it taken the legal form of Altmed acquiring Champignon.

A shareholder and contracted consultant to Champignon was also a shareholder of Altmed and was issued 6,018,000 common shares of Champignon on the closing of the RTO.

**5. Prepaid expenses**

Prepaid expenses consist of the following:

	December 31, 2020	March 31, 2020
	\$	\$
Advance for "pop-up" store	45,200	-
Prepays	193,361	10,197
Marketing services	707,606	-
	946,167	10,197
Current portion	501,802	10,197
Non-current portion	444,365	-
Total	946,167	10,197

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**Champignon Brands Inc. (Formerly, Nature Leaf Wellness Corp.)****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****For the nine months ended December 31, 2020**

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**6. Inventory**

Finished goods consists of Auralite minerals and tea products purchased with the purpose of reselling. During the period ended December 31, 2020, the Company wrote-off \$34,850 of inventory on hand.

**7. Property and equipment**

Cost	Right-of-use asset	Lab equipment \$	Computers \$	Total \$
September 9, 2019 (date of incorporation) and March 31, 2020	-	-	-	-
Additions (Notes 3 and 4)	6,853	31,383	1,806	40,042
December 31, 2020	6,853	31,383	1,806	40,042
Accumulated depreciation				
September 9, 2019 (date of incorporation) and March 31, 2020	-	-	-	-
Depreciation	(6,853)	(1,449)	(271)	(8,573)
December 31, 2020	(6,853)	(1,449)	(271)	(8,573)
Net book value				
March 31, 2020	-	-	-	-
December 31, 2020	-	29,934	1,535	31,469

The Company's right-of-use asset is the lease of an office space by AGL (Note 4). Lab equipment is used by CRTCE in their clinical space (Note 3).

The right-of-use asset is being depreciated over the remaining lease term, and the lab equipment is being depreciated straight-line over five years.

**Lease liability**

A reconciliation of the carrying amount of the lease liability as at December 31, 2020 and for the period then ended is as follows:

	December 31, 2020 \$
Lease liability	-
September 9, 2019 (date of incorporation) and March 31, 2020	-
Additions (Note 4)	7,541
Finance charges (accretion)	134
Lease payments	(7,675)
December 31, 2020	-

Short-term leases are leases with a lease term of twelve months or less. As at December 31, 2020 and March 31, 2020, the Company did not have any short-term leases. As at December 31, 2020, there were no extension options that were reasonably certain to be exercised included in the measurement of the lease liability, and there were no leases with residual value guarantees.

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**8. Intangible assets and goodwill**Intangible assets:

	Website \$
Cost	
September 9, 2019 (date of incorporation) and March 31, 2020	-
Additions (Note 4)	108,929
December 31, 2020	108,929
Accumulated amortization	
September 9, 2019 (date of incorporation) and March 31, 2020	-
Additions	6,000
December 31, 2020	6,000
Net book value	
As at March 31, 2020	-
As at December 31, 2020	102,929

Goodwill:

	CRTCE \$	Champignon \$	Total \$
Goodwill:			
September 9, 2019 (date of incorporation) and March 31, 2020	-	-	-
Additions (Notes 3 and 4)	6,720,803	260,000	6,980,803
December 31, 2020	6,720,803	260,000	6,980,803
Net book value			
As at March 31, 2020	-	-	-
As at December 31, 2020	6,720,803	260,000	6,980,803

Management is in the process of gathering the relevant information that existed at the acquisition dates to determine the fair value of the net identifiable assets acquired and liabilities assumed. As such, the initial purchase prices were provisionally allocated based on the Company's estimated fair value of the identifiable assets acquired and the liabilities assumed on the acquisition date. The values assigned are, therefore, preliminary and subject to change. Management continues to finalize the purchase price allocation for the fair value of identifiable intangible assets and the allocation of goodwill.

**9. Share capital**

The authorized share capital of the Company consists of an unlimited number of common shares without par value. All issued shares are fully paid.

**Transactions for the issue of share capital during the nine months ended December 31, 2020:**

On April 3, 2020, Altmed issued 4,000 common shares pursuant to warrant exercises for gross proceeds of \$4. In connection with the warrants exercised, the original fair value of \$1,199,996 was reversed from reserves and credited to share capital.

On April 6, 2020, Altmed issued 290 common shares for gross proceeds of \$145,000 (\$500 per share). Of the total proceeds, \$60,000 received as at March 31, 2020 was applied towards the private placement completed.



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

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On April 29, 2020, Altmed issued a total of 10,455 common shares pursuant to the Share Purchase Agreement with CRTCE (Note 3) with a total fair value of \$5,227,500 (\$500 per share).

#### 9. Share capital (continued)

On April 30, 2020, Altmed completed the RTO with Champignon and 75,674,000 Champignon's common shares with a fair value of \$69,104,176 were issued to the Altmed shareholders and 2,000,000 Champignon's common shares were issued as finder's fees at the fair value of \$1,700,000 (Notes 1 and 4).

On June 11, 2020, the Company completed a private placement whereby a total of 17,647,500 units (the "Units") were issued at a price of \$0.85 per Unit for gross proceeds of \$15,000,375. Each Unit consists of one common share and one half of one warrant (total warrants attached 8,823,750), with each whole warrant being exercisable at a price of \$1.15 for a period expiring on June 11, 2022. No value was allocated to the warrant component of the Units. In connection with the Unit offering completed, the Company paid finders' fees of \$1,165,116 and issued a total of 1,235,326 finders' warrants (the "Unit Finders' Warrants") for a fair value of \$642,301. The Unit Finders' Warrants are exercisable into Units of the Company at an exercise price of \$0.85 and an expiration date of June 11, 2022. The fair value of the Unit Finders' Warrants was estimated at \$642,301 using the Black-Scholes option pricing model with the following assumptions: expected life – 1.7 years; expected volatility – 100%; dividend yield – \$0; and risk-free rate – 0.25%.

During the period ended December 31, 2020, the Company issued 169,682 common shares on the exercise of finders' warrants for gross proceeds of \$50,905. In connection with the finders' warrants exercised, the original fair value of \$16,863 was reversed from reserves and credited to share capital in addition.

During the period ended December 31, 2020, the Company issued 500,000 common shares on the exercise of warrants for gross proceeds of \$95,000.

During the period ended December 31, 2020, the Company received a subscription receivable of \$275,000.

As at December 31, 2020, the Company has recorded an obligation to issue shares in an amount of \$260,000 pursuant to proceeds received on the exercise of 150,000 stock options (\$33,000), 30,000 warrants (\$4,500) and a consulting agreement (\$222,500) (Note 15).

#### **Transactions for the issue of share capital during the period from September 9, 2019 (date of incorporation) to March 31, 2020:**

On September 9, 2019, Altmed issued 10,001 common shares for gross proceeds of \$10 (\$0.0001 per share).

On October 15, 2019, Altmed issued 5,000 common shares for gross proceeds of \$5 (\$0.0001 per share).

On December 7, 2019, Altmed issued 1,322 common shares for gross proceeds of \$396,600 (\$300 per share).

On February 28, 2020, Altmed issued 782 common shares for gross proceeds of \$391,000 (\$500 per share).

On March 11, 2020, Altmed issued 2,667 common shares for gross proceeds of \$800,100 (\$300 per share). These shares were issued with a discount of \$200 per share in comparison with the most recent financing completed on February 28, 2020, as well as other financings that had completed in March 2020, all of which were at a price of \$500 per share. As a result, Altmed recognized \$533,400 as share-based compensation for the period ended March 31, 2020. Altmed also recorded a share subscription receivable in the amount of \$250,000 in connection with this financing, which was received in full during the period ended September 30, 2020.

On March 12, 2020, Altmed issued 2,110 common shares for gross proceeds of \$1,055,000 (\$500 per share).

On March 16, 2020, Altmed issued 470 common shares for gross proceeds of \$235,000 (\$500 per share).

On March 20, 2020, Altmed issued 740 common shares for gross proceeds of \$370,000 (\$500 per share). Altmed also recorded a share subscription receivable in the amount of \$25,000 in connection with this financing, which was received in full during the period ended September 30, 2020.

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As at March 31, 2020, Altmed had recorded an obligation to issue shares in an amount of \$60,000 pursuant to proceeds received for a financing that completed subsequent to March 31, 2020.

**9. Share capital (continued)****Escrowed shares**

In connection with the issuance of 3,000,001 founder's shares and 3,000,000 founder's warrants (issued as founders' units) (collectively, the "Escrowed Founder's Units") issued by Champignon in March 2019, there are escrow requirements detailing the release of the Escrowed Founder's Units as follows:

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Date that common shares are first listed for trading on the Exchange (the Listing Date")	10% of the Escrowed Founder's Units
6 months after the Listing Date	16.6% of the remaining Escrowed Founder's Units
12 months after the Listing Date	20% of the remaining Escrowed Founder's Units
18 months after the Listing Date	25% of the remaining Escrowed Founder's Units
24 months after the Listing Date	33% of the remaining Escrowed Founder's Units
30 months after the Listing Date	50% of the remaining Escrowed Founder's Units
36 months after the Listing Date	The remaining Escrowed Founder's Units

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Accordingly, as at December 31, 2020, 2,202,001 Escrowed Founder's Units remain in escrow.

**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.

A summary of the status of the Company's options as at December 31, 2020 and March 31, 2020, and changes during the periods then ended is as follows:

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	Nine months ended December 31, 2020		Period from September 9, 2019 (date of incorporation) to March 31, 2020	
	Options #	Weighted average exercise price \$	Options #	Weighted average exercise price \$
Outstanding options, beginning of period	-	-	-	-
Assumed on RTO (Note 4)	7,800,000	0.32	-	-
Granted	3,900,000	1.02	-	-
Exercised	(150,000)	0.22	-	-
Cancelled	(3,150,000)	0.38	-	-
Options outstanding, end of period	8,400,000	0.62	-	-

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

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Options outstanding #	Options exercisable #	Exercise price \$	Weighted average remaining life (years)	Expiry date
3,100,000	3,100,000	0.22	1.17	March 2, 2022
800,000	800,000	0.35	1.23	March 25, 2022
600,000	600,000	0.495	1.25	March 30, 2022
3,750,000	3,750,000	0.99	4.36	May 11, 2025
150,000	150,000	1.69	1.42	June 1, 2022

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**Champignon Brands Inc. (Formerly, Nature Leaf Wellness Corp.)****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****For the nine months ended December 31, 2020**

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8,400,000	8,400,000	0.56	2.61
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**9. Share capital (continued)**

The options assumed in connection with the RTO (Note 4) were outstanding and exercisable in Champignon immediately prior to completion of the Transaction. The fair value of \$4,868,532 assigned to the options assumed was determined using the Black-Scholes option pricing model with the following assumptions: share price of \$0.85, exercise price of \$0.22 to \$0.50, risk-free rate of 0.29%, expected volatility of 100%, and expected life of 1.84 to 1.92 years.

On May 18, 2020, the Company granted stock options to an Officer and a consultant to purchase an aggregate of 3,750,000 common shares at an exercise price of \$0.99 per common share for up to five years. The options vested upon grant. The grant date fair value of the options was measured at \$2,742,595 using the Black-Scholes option pricing model.

On June 1, 2020, the Company granted stock options to a consultant to purchase an aggregate of 150,000 common shares at an exercise price of \$1.69 per common share for up to two years. 75,000 options vested upon grant and 75,000 options will vest on December 1, 2020. The grant date fair value of the 75,000 options vested was measured at \$66,131 using the Black-Scholes option pricing model.

For the period ended December 31, 2020, the weighted average assumptions are as follows:

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	Weighted average assumptions
Exercise price	\$1.02
Stock price	\$1.02
Expected volatility	100%
Risk-free rate	0.33%
Expected life	4.89

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**Warrants**

As an incentive to complete private placements, the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to the warrants attached to the units sold in completed private placements. The Company may also issue standalone compensatory warrants, which are valued using the Black-Scholes option pricing model.

A summary of the status of the Company's warrants as at December 31, 2020 and March 31, 2020, and changes during the periods then ended is as follows:

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	Nine months ended December 31, 2020		Period from September 9, 2019 (date of incorporation) to March 31, 2020	
	Warrants #	Weighted average exercise price \$	Warrants #	Weighted average exercise price \$
Outstanding warrants, beginning of period	5,050	104	-	-
Issued – Altmed	-	-	5,005	104
Exercised – Altmed	(4,000)	0.001	-	-
Cancelled - Altmed	(1,050)	500	-	-
Assumed on RTO (Note 4)	4,216,472	0.06	-	-
Issued – replacement warrants	2,100,000	0.25	-	-
Issued – unit warrants	8,823,750	1.15	-	-
Issued – Finders' Unit Warrants	1,235,326	0.85	-	-
Exercised	(699,682)	0.21	-	-

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**Champignon Brands Inc. (Formerly, Nature Leaf Wellness Corp.)****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****For the nine months ended December 31, 2020**

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Warrants outstanding, end of period	15,675,866	0.76	5,050	104
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The warrants assumed in connection with the RTO (Note 4) were outstanding and exercisable in Champignon immediately prior to completion of the Transaction. The fair valued of \$3,361,299 assigned to the warrants assumed was determined using the Black-Scholes option pricing model with the following assumptions: share price of \$0.85, exercise price of \$0.10 to \$0.30, risk-free rate of 0.29%, expected volatility of 100%, and expected life of 1.31 to 4.03 years.

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**Champignon Brands Inc. (Formerly, Nature Leaf Wellness Corp.)****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****For the nine months ended December 31, 2020**

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**9. Share capital (continued)****Warrants (continued)**

As at December 31, 2020 the Company had warrants outstanding and exercisable as follows:

Warrants outstanding #	Warrants exercisable #	Exercise price \$	Weighted average remaining life (years)
420,000	420,000	0.15	0.64
3,000,000	300,000	0.005	0.04
296,790	296,790	0.30	0.02
1,235,326	1,235,326	0.85	0.64
8,823,750	8,823,750	1.15	0.09
1,900,000	1,900,000	0.25	0.14
15,675,866	15,675,866	0.75	1.58

**Reserves**

Reserves, when applicable, includes a historical share premium on common shares issued in Altmed, the accumulated fair value of stock options recognized as share-based compensation, the fair value of finders' warrants issued in connection with private placements, and the fair value of other standalone compensatory warrants issued. Reserves is increased by the fair value of these items on vesting and is reduced by corresponding amounts when the options or warrants are exercised.

**Loss per share**

The calculation of basic and diluted loss per share for the nine months ended December 31, 2020 was based on the loss of \$86,233,420 and a weighted average number of common shares outstanding of 152,190,755. All stock options and warrants were excluded from the diluted weighted average number of shares calculation, as their effect would have been anti-dilutive.

**10. Related party transactions and balances**

The Company's related parties include key management personnel, including Officers and Directors, and companies in which they have control or significant influence over the financial or operating policies of those entities.

The fair value of 2,500,000 stock options granted to an Officer of the Company during the nine months ended December 31, 2020 totaled \$1,828,396 (Note 9).

The aggregate value of other transactions with related parties during the nine months ended December 31, 2020 is as follows:

	December 31, 2020 \$
Consulting fees	334,116
Professional fees	201,077
	535,193

The Company has also identified a significant shareholder and contracted consultant of the Company (the "Consultant") as a related party for reporting purposes as the Consultant exerted significant influence over the Company. The Consultant was also a shareholder of Altmed and was issued common shares of Champignon on the closing of the RTO (Note 4). In addition, the consultant was paid consulting fees of \$60,000 during the nine month period ended December 31, 2020.

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

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#### 11. Financial risk management

##### Capital management

The Company's objective in managing capital is to ensure sufficient liquidity 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. 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 private placements of common shares or units.

The Company is not subject to externally imposed capital requirements and does not present utilize any quantitative measures to monitor its capital.

There were no changes in the Company's management of capital during the period ended December 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.

The fair value of cash is measured using Level 1 inputs. The carrying value of promissory note payable and accounts payable approximates the fair values due to their short-term term to maturity or guaranteed cash value at maturity. The fair value of the loan payable approximates its principal amount (Note 12)

##### **Financial instruments - risk**

The Company's financial instruments can be exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk and currency risk.

##### **(a) Credit risk**

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.

The Company has minimal credit risk exposure in respect of receivables, as they primarily consist of refundable credits are due from Canadian Government.

##### **(b) 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, 2020, the Company did not have any financial instruments subject to interest rate risk (variable or fixed).

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**11. Financial risk management** (continued)**Financial instruments – risk** (continued)**(c) Liquidity risk**

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, 2020, the Company had current assets of \$12,536,175 to cover short term obligations of \$1,629,276.

Historically, the Company's sole source of funding has been through share and unit offerings. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

**12. Loan payable**

During the period ended December 31, 2020, the Company received an aggregate \$60,000 from Canada Emergency Business Account ("CEBA"). The interest free loan is used to finance operating costs which was offered by the Government of Canada through the Company's bank in response to the Covid 19 pandemic.

	Total \$
Balance, March 31, 2020	-
CEBA loan	60,000
CEBA loan present value adjustment	(12,612)
Accretion of CEBA loan	304
Balance, December 31, 2020	47,692
Less current portion	3,859
Non-current portion of loan payable	43,833

**13. Promissory note payable**

On September 11, 2019, Altmed entered into a Promissory Note Agreement with an arm's length party for gross proceeds of \$50,000 (the "Loan"), net of \$33 in bank fees. The Loan is non-interest bearing, due on demand and unsecured.

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**Champignon Brands Inc. (Formerly, Nature Leaf Wellness Corp.)****Notes to the Condensed Interim Consolidated Financial Statements****Unaudited – Prepared by Management****For the nine months ended December 31, 2020**

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**14. Segmented information**Operating segment information:

As at December 30, 2020, the Company has four reportable segments, being the provision of health services (“Health”), the sale and distribution of mushroom infused teas/corporate operations (“Tea/Corporate”), research and development activities (“Research”) and the cultivation of mushrooms (“Cultivation”). The Company has identified these reportable segments based on the internal reports reviewed by management, in allocating resources and assessing performance.

Operating segment financial information:

As at December 31, 2020	Health	Tea	Corporate	Research	Cultivation	Total
	\$	\$	\$	\$	\$	\$
Current assets	390,123	129,043	12,017,009	-	-	12,536,175
Non-current assets	6,753,271	-	806,295	-	-	7,559,566
Liabilities	189,654	-	(564,228)	(1,260,642)	(37,893)	(1,673,109)
Net assets	7,333,048	129,043	12,259,076	(1,260,642)	(37,893)	18,422,632
Nine months ended						
December 31, 2020						
Revenues	645,817	99,982	-	15,900	-	761,699
Gross profit	54,995	21,339	-	9,304	-	85,638
Operating expenses	(1,414,846)	-	(5,646,341)	(1,469,037)	(7,563)	(8,537,787)
Gain on government grant	12,612	-	-	-	-	12,612
Listing expense	-	-	(77,793,883)	-	-	(77,793,883)
Net profit (loss) from operations	(1,347,239)	21,339	(83,440,224)	(1,459,733)	(7,563)	(86,233,420)

**15. Commitment**

On May 15, 2020, Altmed entered into an Independent Contractor Agreement (the “IC Agreement”) with an arm’s length consultant that carries a term of 2 years, expiring on May 15, 2022. The IC Agreement can be terminated for any reason, by either party, on six months’ prior written notice.

Pursuant to the terms of the IC Agreement, the consultant will be paid \$15,000 per month (plus sales tax) plus be reimbursed for any disbursements incurred. Further, the IC Agreement requires the Company to issue a total of 250,000 common shares on or after June 11, 2020 for services previously provided (the “Share Commitment”). As at September 30, 2020, the Company has recorded the value of the Share Commitment at \$222,500 (\$0.89 per share) (Note 9).