

CBD Global Sciences Inc.

Condensed Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2020 and 2019

(Expressed in United States dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements for CBD Global Sciences Inc. (the "Company") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"). These condensed consolidated interim financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company's auditors. The Company's Audit Committee and Board of Directors have reviewed and approved these condensed consolidated interim financial statements. In accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators, the Company's independent auditors have not performed a review of these condensed consolidated interim financial statements.

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

CBD Global Sciences Inc.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in United States dollars)

	Notes	June 30, 2020	December 31, 2019
ASSETS			
Cash		\$ 20,338	\$ 21,598
Trade accounts receivable	4	517,766	358,401
Prepaid expenses	5	32,549	18,261
Inventory	7	3,266,278	3,373,628
Assets held for sale	9	638,504	-
Total current assets		4,475,435	3,771,888
Deposits	5	-	38,510
Deferred financing fees		112,805	139,930
Property and equipment	8	692,575	2,198,052
Total assets		\$ 5,280,815	\$ 6,148,380
LIABILITIES AND OWNERS' EQUITY			
Accounts payable and other liabilities	10	\$ 1,885,399	\$ 1,585,406
Customer deposit		25,000	25,000
Due to related parties	15	21,173	53,256
Notes payable	11,15	618,817	335,477
Lease liabilities	12	51,679	165,336
Convertible debt	13	3,987,500	3,610,386
Liabilities associated with assets held for sale	9	579,404	-
Total current liabilities		7,168,972	5,774,861
Lease liabilities	12	90,737	641,108
Due to related parties	15	640,978	400,636
Long-term debt	9,11	-	490,000
Total liabilities		7,900,687	7,306,605
Shareholders' equity			
Share capital	14	5,886,745	5,128,884
Obligation to issue shares	14	297,474	944,842
Preferred shares		2,079,237	2,079,237
Capital reserves	14	3,351,370	2,928,862
Deficit		(14,234,698)	(12,240,050)
Total shareholders' equity		(2,619,872)	(1,158,225)
Total liabilities and shareholders' equity		\$ 5,280,815	\$ 6,148,380

Nature of operations and going concern (Note 1)

Subsequent events (Note 20)

Approved and authorized by the Board of Directors on October 13, 2020:

"Brad Wyatt"

Director

"Glenn Dooley"

Director

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

CBD Global Sciences Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in United States dollars)

(Unaudited)

		For the three months ended June 30,		For the six months ended June 30,	
		2020	2019	2020	2019
Sales	16	\$ 296,550	\$ 1,842,227	\$ 444,644	\$ 3,105,587
Cost of sales	5	89,305	746,068	220,750	1,082,480
Gross profit, excluding fair value items		207,245	1,096,159	223,894	2,023,107
Unrealized gain on changes in fair value of biological assets	5	-	9,408,700	-	9,458,882
Realized fair value amounts included in inventory sold	6	-	(1,017,123)	-	(2,033,294)
Gross profit		207,245	9,487,736	223,894	9,448,695
Accretion expense	11,13	141,245	354,506	279,339	802,596
Change in fair value of derivative liability	13	-	3,809	-	3,809
Consulting fees		113,396	-	164,642	-
Depreciation	8	14,202	67,263	65,334	129,200
Finance fees		27,124	30,913	27,124	99,413
Foreign exchange loss		1,313	-	1,085	-
(Gain) loss on settlement of debt	14	(11,294)	80,000	(11,294)	139,000
Gain on lease extinguishment		(39,991)	-	(39,991)	-
General and administrative expenses	14,17	379,796	711,822	668,414	1,348,983
Impairment of inventory		160,000	463,670	160,000	463,670
Impairment of property and equipment		171,660	-	171,660	-
Interest expense		117,248	171,907	306,725	266,184
Interest income		108	(404)	(475)	(502)
Marketing, sales and distribution		154,425	61,760	161,516	117,515
Research and development		10,464	-	4,102	-
Share-based payments	14	260,362	17,902	260,362	31,902
Total operating expenses		1,500,058	1,963,148	2,218,542	3,401,770
Income (loss) before income taxes		(1,292,813)	7,524,587	(1,994,648)	6,046,925
Deferred income tax expense		-	1,612,000	-	1,496,000
Net income (loss) and comprehensive income (loss)		\$ (1,292,813)	\$ 5,912,586	\$ (1,994,648)	\$ 4,550,924
Weighted average number of shares - basic		30,845,713	10,682,328	29,792,671	10,496,190
Weighted average number of shares - diluted		30,845,713	13,960,204	29,792,671	13,774,066
Basic earnings (loss) per share		\$ (0.04)	\$ 0.55	\$ (0.07)	\$ 0.43
Diluted earnings (loss) per share		\$ (0.04)	\$ 0.42	\$ (0.07)	\$ 0.06

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

CBD Global Sciences Inc.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity (Deficiency)

For the six months ended June 30, 2020 and 2019

(Expressed in United States dollars)

	Notes	Share capital						Total shareholders' equity (deficiency)	
		Number of common shares	Amount	Number of preferred shares	Preferred shares amount	Obligation to issue shares	Capital reserves		Deficit
Balance, December 31, 2018		10,191,550	\$ 3,532,850	-	\$ -	\$ -	\$ 1,783,295	\$ (3,283,828)	\$ 2,032,317
Shares issued for cash	14	20,000	25,000	-	-	-	-	-	25,000
Shares issued for debt settlement	14	226,112	251,112	-	-	-	-	-	251,112
Conversion of debentures	13,14	175,000	140,771	-	-	-	-	-	140,771
Share-based payments		64,000	14,000	-	-	-	11,271	-	25,271
Discount to related party notes		-	-	-	-	-	362,453	-	362,453
Exercise of warrants		101,315	102,328	-	-	-	(100,302)	-	2,026
Net income for the year		-	-	-	-	-	-	4,550,925	4,550,925
Balance, June 30, 2019		10,777,977	\$ 4,066,061	-	-	-	2,056,717	\$ 1,267,097	\$ 7,389,875
Balance, December 31, 2019		27,605,672	5,128,883	316,784	2,079,237	944,842	2,928,863	(12,240,050)	(1,158,225)
Shares issued pursuant to private placement	14	3,035,000	703,968	-	-	(647,368)	56,576	-	113,176
Shares issued for debt	11,14	200,752	38,894	-	-	-	-	-	38,894
Share-based payments	14	60,000	15,000	-	-	-	260,362	-	275,362
Issuance of warrants for debt	14	-	-	-	-	-	3,498	-	3,498
Discount to related party notes	15	-	-	-	-	-	102,071	-	102,071
Net loss for the year		-	-	-	-	-	-	(1,994,648)	(1,994,648)
Balance, June 30, 2020		30,961,424	\$ 5,886,745	316,784	\$ 2,079,237	\$ 297,474	\$ 3,351,370	\$ (14,234,698)	\$ (2,619,872)

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

CBD Global Sciences Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended June 30, 2020 and 2019

(Expressed in United States dollars)

	2020	2019
Operating activities		
Net income (loss)	\$ (1,994,648)	\$ 4,550,925
Items not affecting cash:		
Change in fair value of biological assets	-	(9,458,882)
Accretion	279,338	802,596
Depreciation	100,275	129,200
Deferred income taxes	-	1,496,000
Share-based payments	275,362	42,147
Loss (gain) on settlement of debt	(11,294)	139,000
Interest expense	130,620	134,067
Change in fair value of derivative liability	-	3,809
Impairment of inventory	160,000	460,670
Impairment of property and equipment	171,660	-
Gain on lease extinguishment	(39,991)	-
Non-cash working capital items:		
Trade accounts receivable	(159,365)	(2,035,641)
Prepaid expenses	(14,288)	113,967
Biological assets	-	547,088
Inventory	(52,649)	1,930,168
Accounts payable and other liabilities	376,697	754,347
Deferred financing fees	27,125	-
Deferred revenue	-	1,152
Net cash used in by operating activities	(751,158)	(386,387)
Investing activities		
Acquisition of property and equipment	-	(189,338)
Net cash used in investing activities	-	(189,338)
Financing activities		
Shares issued for cash	115,031	125,302
Repayment of notes payable	(164,303)	(138,665)
Proceeds from issuance of notes payable	560,163	262,500
Payments on lease liability	(11,770)	(118,506)
Proceeds from issuance of warrants	-	2,026
Proceeds from related parties	250,777	116,369
Net cash provided by financing activities	749,898	249,026
Change in cash	(1,260)	(326,699)
Cash, beginning	21,598	320,331
Cash, end	\$ 20,338	\$ (6,368)

Supplemental cash flow information (Note 18)

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

CBD Global Sciences Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the six months ended June 30, 2020 and 2019
(Expressed in United States dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

CBD Global Sciences Inc.'s (the "Company") head office and principal address is located at 225 Union Boulevard, Suite 350, Lakewood, Colorado, 80228. The registered office in Nevada is located at 1085 Pleasure Lane, Henderson, Nevada, 89002 and 2754 Rockbridge Dr., Highlands Ranch, CO 80126 for Colorado. The records office is located at 225 Union Boulevard, Suite 350, Lakewood, Colorado, 80228.

The Company is in the business of Cannabidiol ("CBD") farming, processing and product manufacturing.

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. To date, the Company has incurred losses and may incur further losses in the development of its business. As at June 30, 2020 had working capital deficit of \$2,693,537 and an accumulated deficit of \$14,234,698. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. From time to time, the Company generates working capital to fund its operations by raising additional capital through equity or debt financing. However, there is no assurance it will be able to continue to do so in the future. These consolidated financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

The recent outbreak of the coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the coronavirus continue to evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

Reverse takeover

On December 10, 2018, CBD Global Sciences Inc. ("CBD Global") signed a merger agreement with Global NV Corp. ("Global NV") for a three-cornered merger transaction which would constitute a reverse take-over of the Company by Global NV (the "Acquisition"). Pursuant to the terms of the merger agreement, Global NV would amalgamate with a wholly owned subsidiary of CBD Global, pursuant to a statutory procedure of the Nevada Revised Statutes and, in connection with such merger, each holder of Global NV's shares will receive 1.31987 common shares of the CBD Global and 0.036801 preferred shares ("CBD Global Unit") in exchange for each of the Global NV's shares. The shareholders of the Global NV and CBD Global approved the Merger Agreement on January 24, 2019 and completed on October 17, 2019.

As a result of the Acquisition, Global NV is deemed the acquirer for accounting purposes and therefore its assets, liabilities and operations are included in the consolidated financial statements at their historical carrying value. Global NV's operations were considered to be a continuance of the business and operations of Global NV. The Company's results of operations are those of Global NV, with the CBD Global's operations being included from October 17, 2019, the closing date of the Acquisition, onwards.

CBD Global Sciences Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the six months ended June 30, 2020 and 2019
(Expressed in United States dollars)

2. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared by management of the Company in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, following the same accounting principles and methods of computation as outlined in the Company’s consolidated financial statements for the year ended December 31, 2019. A description of accounting standards and interpretations that have been adopted by the Company can be found in the notes of the annual consolidated financial statements for the year ended December 31, 2019. These unaudited condensed interim consolidated financial statements include all necessary disclosures required for interim financial statements but do not include all disclosures required for annual financial statements. Therefore, these unaudited condensed interim consolidated financial statements should be read in conjunction with the most recent audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2019.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the annual consolidated financial statements for the period ended June 30, 2020.

4. TRADE ACCOUNTS RECEIVABLE

The Company’s trade accounts receivable consists of the following:

	June 30, 2020		December 31, 2019	
Trade accounts receivable	\$	807,753	\$	648,338
Provision for doubtful accounts		(289,987)		(289,937)
	\$	517,766	\$	358,401

5. PREPAID EXPENSES

The Company’s prepaid expenses consist of the following:

	June 30, 2020		December 31, 2019	
Current:				
Other	\$	32,549	\$	18,261
Non-current deposits		-		38,510
	\$	32,549	\$	56,771

6. BIOLOGICAL ASSETS

The Company’s biological assets consist of hemp plants. The continuity of biological assets is as follows:

	June 30, 2020		December 31, 2019	
Biological assets, beginning	\$	-	\$	-
Production of biological assets		-		1,237,953
Unrealized changes in fair value less costs to sell of biological assets		-		2,188,895
Transfers to inventory upon harvest		-		(3,426,848)
Biological assets, ending	\$	-	\$	-

CBD Global Sciences Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the six months ended June 30, 2020 and 2019
(Expressed in United States dollars)

7. BIOLOGICAL ASSETS (Continued)

In calculating the fair value of biological assets, management is required to make a number of estimates including wastage, expected yields, selling price and costs to sell at the point of harvest, and percentage of costs incurred for each stage of plant growth. During the six months ended June 30, 2020, the Company determined that the germination of crops planted in fiscal 2020 did not yield significant results. As a result, the Company did not recognize any changes in fair value of biological assets or capitalize product costs.

8. INVENTORY

The following is a breakdown of inventory:

	June 30, 2020		December 31, 2019	
Hemp biomass	\$	2,413,906	\$	2,434,806
Cannabidiol oil		768,825		752,825
Cannabidiol oil products		83,547		35,997
Hemp seeds		-		160,000
Balance	\$	3,266,278	\$	3,373,628

During the six months ended June 30, 2020, the Company determined that the germination of crops did not yield significant results. As a result, the Company recorded an impairment loss related to the hemp seed inventory of \$160,000.

CBD Global Sciences Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the six months ended June 30, 2020 and 2019
(Expressed in United States dollars)

9. PROPERTY AND EQUIPMENT

	Farm tools & equipment	Greenhouses	Assets under construction	Leasehold improvements	Land	Lease assets	Total
Cost							
Balance, December 31, 2018	\$ 323,351	\$ 230,477	\$ 185,575	\$ -	\$ 726,519	\$ -	\$ 1,465,922
Additions	194,453	-	-	15,628	250	956,653	1,166,984
Balance, December 31, 2019	517,804	230,477	185,575	15,628	726,769	956,653	2,632,906
Impairment of assets	(188,938)	-	-	-	(88,265)	(775,136)	(1,052,339)
Assets held for sale	-	-	-	-	(638,504)	-	(638,504)
Balance, June 30, 2020	\$ 328,866	\$ 230,477	\$ 185,575	\$ 15,628	\$ -	\$ 181,517	\$ 942,063
Accumulated Depreciation							
Balance, December 31, 2018	\$ 90,419	\$ 43,201	\$ -	\$ -	\$ -	\$ -	\$ 133,620
Depreciation	104,188	16,285	-	2,970	-	177,791	301,234
Balance, December 31, 2019	194,607	59,486	-	2,970	-	177,791	434,854
Depreciation	42,383	8,142	-	1,266	-	48,484	100,275
Impairment of assets	(105,543)	-	-	-	-	(181,098)	(286,641)
Balance, June 30, 2020	\$ 131,447	\$ 67,628	\$ -	\$ 4,236	\$ -	\$ 45,177	\$ 248,488
Net Book Value							
At December 31, 2019	\$ 323,197	\$ 170,991	\$ 185,575	\$ 12,658	\$ 726,769	\$ 778,862	\$ 2,198,052
At June 30, 2020	\$ 197,419	\$ 162,849	\$ 185,575	\$ 11,392	\$ -	\$ 135,341	\$ 692,575

CBD Global Sciences Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the six months ended June 30, 2020 and 2019
(Expressed in United States dollars)

10. ASSETS HELD FOR SALE

Subsequent to June 30, 2020, the Company ceased all activities pertaining to growing and harvesting cannabis and sold 140 acres of farmland previously dedicated to this operation. As a result of this decision, the assets and liabilities have been classified as assets held for sale and liabilities of assets held for sale, respectively, in the condensed interim consolidated statement of financial position as of June 30, 2020. In accordance with IFRS, management has estimated the fair value less costs to sell. As a result, the Company recorded an impairment loss of \$171,660 on property and equipment.

Assets and liabilities related to the Company's operations pertaining to the grow operation have been reclassified as assets held for sale and liabilities associated with assets held for sale:

As at June 30,		2020
Property	\$	638,504
Promissory notes payable		(579,404)
Net assets held for sale	\$	59,100

11. TRADE PAYABLES AND OTHER LIABILITIES

	June 30, 2020		December 31, 2019	
Trade payables	\$	944,406	\$	817,424
Accrued liabilities		902,338		763,890
Accrued interest		38,655		4,093
	\$	1,885,399	\$	1,585,407

12. NOTES PAYABLE

	June 30, 2020				December 31, 2019			
	Nominal interest rate	Date of maturity		Face value	Carrying amount	Face value	Carrying amount	
Promissory note	12.0%	12/31/2020	(a)	92,939	89,404	92,939	92,939	
Promissory note	12.5%	5/19/2019	(b)	210,000	210,000	210,000	210,000	
Promissory note	12.5%	3/1/2019	(c)	280,000	280,000	280,000	280,000	
Promissory note	-	8/31/2020	(d)	39,905	39,674	68,028	66,458	
Promissory note	-	12/27/2019	(e)	137,348	137,348	176,080	176,080	
Promissory note	8.0%	7/1/2020	(f)	100,000	100,000	-	-	
Promissory note	45.0%	4/23/2020	(g)	175,000	175,000	-	-	
PPP loans	-	5/22/2022	(h)	166,795	166,795	-	-	
Total				\$ 1,201,987	\$ 1,198,221	\$ 827,047	\$ 825,477	
Current				(622,583)	(618,817)	(337,047)	(335,477)	
Reclassified to assets held for sale (note 9)				(579,404)	(579,404)	-	-	
Long-term				\$ -	\$ -	\$ (490,000)	\$ (490,000)	

* The difference between the face value and the carrying amount is attributed to the discount to approximate fair value using the assumptions described below.

CBD Global Sciences Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the six months ended June 30, 2020 and 2019
(Expressed in United States dollars)

11. NOTES PAYABLE (Continued)

The promissory notes are repayable in full on maturity.

- a) On May 25, 2017, an investor advanced \$100,000 to the Company in exchange for one-year promissory note and a 1.5% unit in the gross sales amount of the 2017 outdoor harvest due when sold in 2018. The note was secured by land owned by a company controlled by the President of the Company at the time, bore an interest rate of 10% per annum, required monthly interest payments, and a lump sum payment at the maturity date of May 25, 2018. On May 15, 2018, the terms of this note were renegotiated as follows: interest rate of 12% per annum from May 25, 2018, monthly payments of interest and principle starting August 1, 2018, maturing on June 30, 2019. The maturity date may be extended year to year upon written agreement between the parties. The note is secured by the 60-acre parcel of land acquired by the Company on May 10, 2018.

On April 13, 2020, the Company issued 40,172 common shares to settle \$10,043 of accrued interest on the note (Note 14).

Subsequent to June 30, 2020, the Company entered into an agreement to sell the 60-acre parcel of farmland (Note 20) associated with the promissory note. As at June 30, 2020, the note payable was reclassified to liabilities held for sale (Note 9).

- b) On May 10, 2018, the Company acquired the 60-acre parcel of farmland currently being used by the Company for its farming operations. In consideration for the land, the Company has assumed a \$210,000 note payable from a company controlled by the President and the Chief Operating Officer of the Company. The note is secured by the 60-acre parcel of land and bears interest at a rate of 12.5% per annum, with payments of interest only due monthly and maturing on May 19, 2019. On March 15, 2019, the Company entered into an agreement to extend the maturity date of the note to March 15, 2021. In connection with this agreement, the Company issued 1,715 common shares for consideration of the extension. Subsequent to June 30, 2020, the Company entered into an agreement to sell the 60-acre parcel of farmland (Note 20) associated with the promissory note. As at June 30, 2020, the note payable was reclassified to liabilities held for sale (Note 9).
- c) On May 10, 2018, the Company acquired an 80-acre parcel of farmland currently being used by the Company for its farming operations. In consideration for the land, the Company has assumed a \$280,000 note payable from a company controlled by the President of the Company and the Chief Operating Officer of the Company. The note is secured by the 80-acre parcel of land and bears interest at a rate of 12.5% per annum, with payments of interest only due monthly and maturing on March 1, 2019. On March 15, 2019, the Company entered into an agreement to extend the maturity date of the note to March 15, 2021. In connection with this agreement, the Company issued 2,285 common shares for consideration of the extension. Subsequent to June 30, 2020, the Company entered into an agreement to sell the 80-acre parcel of farmland (Note 20) associated with the promissory note. As at June 30, 2020, the note payable was reclassified to liabilities held for sale (Note 9).
- d) On July 18, 2019, an investor advanced \$200,000 in exchange for a promissory note. The principal and a lump sum interest payment of \$41,600 are due at maturity on August 31, 2020. The note is secured against the Company's biomass inventory and proceeds from the sale of biomass through a Biomass Processing Agreement. In connection with the promissory note, the Company incurred a financing fee of \$8,000. As at June 30, 2020, accrued interest payable of \$2,131 (2019 - \$406) is included in accounts payable and accrued liabilities.
- e) On October 24, 2019, an investor advanced \$200,000 in exchange for a promissory note. The principal and a lump sum interest payment of \$20,848 are due at maturity on December 27, 2019. The note is secured against the Company's biomass inventory and proceeds from the sale of biomass through a Biomass Processing Agreement. In connection with the promissory note, the Company incurred a financing fee of \$4,000.

CBD Global Sciences Inc.

Notes to Condensed Interim Consolidated Financial Statements
For the six months ended June 30, 2020 and 2019
(Expressed in United States dollars)

11. NOTES PAYABLE (Continued)

- f) On February 6, 2020, an investor advanced \$100,000 in exchange for a promissory note. The note is unsecured, and the principal and interest at a rate of 8% per annum are due at maturity on April 30, 2020. In connection with the promissory note, the Company issued 25,000 common share purchase warrants. As at June 30, 2020, accrued interest payable of \$3,178 (2019 - \$nil) is included in accounts payable and accrued liabilities.
- g) On March 24, 2020, an investor advanced \$175,000 in exchange for a promissory note. The principal and interest at a rate of 45% per annum are due at maturity on April 23, 2020. The note is secured by the asset of the Company and has been personally guaranteed by the President. As at June 30, 2020, accrued interest payable of \$26,969 (2019 - \$nil) is included in accounts payable and accrued liabilities.
- h) In May 2020, the Company was granted loans (the "PPP Loan") totaling \$166,795 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The PPP Loan which was in the form of a Promissory Note mature in May, 2022 and bears interest at a rate of 0.98% per annum, payable monthly commencing on November 1, 2020. The Note may be prepaid by the Company at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.
- i) On June 15, 2018, the Company assumed an additional \$40,000 note payable from a company controlled by the President and the Chief Operating Officer of the Company in consideration for the 80-acre land the Company acquired on May 10, 2018. The note is secured by the 80-acre parcel of land and bears interest at a rate of 12.5% per annum, with payments of interest only due monthly and maturing on March 1, 2019. On October 26, 2018, the Company repaid the principal balance of \$40,000. As at June 30 2020, there was accrued interest payable of \$1,723 (2019 - \$1,723) included in accounts payable and accrued liabilities.
- j) On February 25, 2020, an investor advanced \$100,000 in exchange for a promissory note. The principal and interest at a rate of 45% per annum are due at maturity on March 26, 2020. As at June 30, 2020, the principal balance of \$100,000 and accrued interest payable of \$3,452 were repaid in full.

12. LEASE LIABILITY

The Company leases certain assets under lease agreements. The lease liability consists of various leases for farmland and equipment. The leases are calculated using an incremental borrowing rate of 12% per annum.

At June 30, 2020, the Company's lease liability related to leases is as follows:

Lease liability	June 30, 2020	December 31, 2019
Current portion	\$ 51,679	\$ 165,336
Long-term portion	90,737	641,108
Total lease liability	\$ 142,416	\$ 806,444

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12. LEASE LIABILITY (Continued)

At June 30, 2020, the Company is committed to minimum lease payments as follows:

Maturity analysis		June 30, 2020
Less than one year	\$	59,430
One to five years		99,470
More than five years		-
Total undiscounted lease liabilities	\$	158,900

For the year ended June 30, 2020, the Company recorded interest expenses of \$21,281 (2019 - \$31,837) pertaining to lease liabilities.

13. CONVERTIBLE DEBT

A continuity of convertible debt for the period ended June 30, 2020 and December 31, 2019 is as follows:

		Face value		Carrying value
Balance, December 31, 2018	\$	3,600,000	\$	2,436,109
Issued during the period		3,726,245		3,372,860
Settled with the issuance of common shares		(175,000)		(140,771)
Debt extinguished		(3,473,523)		(3,473,523)
Interest expense		266,639		266,639
Accretion		-		1,219,023
Repayment of interest		(69,951)		(69,951)
Balance, December 31, 2019	\$	3,874,410	\$	3,610,386
Interest expense		143,880		143,880
Interest repaid		(1,973)		(1,973)
Accretion		-		235,207
Balance, June 30, 2020	\$	4,016,317	\$	3,987,500

14. SHARE CAPITAL

a. Authorized capital

The Company is authorized to issue an unlimited number of shares of common stock and preferred shares without par value.

b. Issued capital

During the six months ended June 30, 2020, the Company completed the following transactions:

- On February 26, 2020, the Company closed a private placement for 340,000 units comprising of one common share and common share purchase warrant, and 2,695,000 common shares at a price of CAD \$0.33 for gross proceeds of CAD \$1,011,450.

Each unit consists of one common share and one warrant. Each warrant is exercisable into one common share of the Company at an exercise price of \$0.26 per share until August 31, 2020. The warrants have a fair value of \$56,576 determined using the Black-Scholes Option Pricing Model with the following assumptions: no expected dividends to be paid; volatility of 150%; risk-free interest rate of 1.25%; and expected life of 4.00 years.

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14. SHARE CAPITAL (Continued)

- b) On April 13, 2020, the Company issued 40,172 common shares to settle \$10,043 of accrued interest on a promissory note (Note 11). The common shares were valued at \$7,783 resulting in a gain on debt settlement of \$2,260.
- c) On April 13, 2020, the Company issued 160,580 common shares to settle debt of \$10,945 and prepay consulting fees of \$29,200 for total consideration of \$40,145. The common shares were valued at \$31,111 resulting in a gain on debt settlement of \$9,034.
- d) On June 5, 2020, the Company issued 60,000 common shares pursuant to an advisory agreement, the services were valued at \$15,000.
- e) On June 5, 2020, the Company issued 60,000 common shares for proceeds of \$15,000.

During the six months ended June 30, 2019, the Company completed the following transactions:

- a) On October 24, 2018, the Company entered into an agreement with a consultant to issue shares for services. On each of October 31, 2018 and January 30, 2019, 60,000 common shares of the Company were issued for a total of 120,000 common shares. The services were valued at \$60,000. For the period ended June 30, 2019, the Company recorded share-based payment expenses of \$10,000 for services received up to the reporting period date.
- b) During March 2019, convertible debentures of \$175,000 were converted to 175,000 common shares of the Company at \$1.00 per share at a fair value of \$140,771.
- c) On February 15, 2019, the Company entered into a debt settlement agreement to issue 100,000 common share at a fair value of \$100,000 for the settlement of \$41,000 in an outstanding accounts payable balance. The common shares were issued at a fair value of \$1.00 per share and the Company recognized a loss of \$59,000 on the settlement.
- d) On March 15, 2019, the Company issued 4,000 common shares with a fair value of \$1.00 per share for consideration of the extension of notes payable (Note 10).
- e) During April 2019, the Company issued 101,315 common shares pursuant to warrant exercises for proceeds of \$2,026.
- f) On May 8, 2019, the Company entered into a debt settlement agreement to issue 26,112 common shares with a fair value of \$1.00 per share for the settlement of \$26,112 in an outstanding accounts payable balance.
- g) On May 15, 2019, the Company issued 20,000 common shares for gross proceeds of \$25,000.
- h) On May 29, 2019, the Company entered into a debt settlement agreement to issue 100,000 common shares with a fair value of \$125,000 for the settlement of \$45,000 in an outstanding accounts payable balance. The Company recorded a loss on settlement of debt of \$80,000.

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14. SHARE CAPITAL (Continued)

c. Warrants

A summary of warrant activity is as follows:

	Number of warrants	Weighted average exercise price
Outstanding, December 31, 2018	16,595,955	\$ 0.21
Issued	2,310,000	0.40
Exercised	(506,575)	0.01
Outstanding, December 31, 2019	18,399,380	\$ 0.24
Issued	365,000	0.26
Expired	(310,000)	0.39
Outstanding, June 30, 2020	18,454,380	\$ 0.29

- a) On February 6, 2020, the Company issued 25,000 in connection with a financing agreement. The warrants are exercisable for one common share at an exercise price of \$0.25 on or before March 31, 2022. The warrants were valued using the Black-Scholes option pricing model with the following weighted average assumptions: no expected dividends to be paid; volatility of 150%; risk-free interest rate of 1.53%; and expected life of 2.15 years.

As at June 30, 2020, the Company had outstanding share purchase warrants as follows:

Number of warrants	Exercise price	Expiry date
3,039,380	\$0.20	July 31, 2021
3,950,000	\$0.20	September 20, 2021
5,050,000	\$0.40	October 1, 2021
2,700,000	\$0.20	October 2, 2023
1,350,000	\$0.40	October 2, 2023
400,000	\$1.00	June 30, 2022
1,450,000	\$0.25	August 31, 2020
100,000	\$0.25	October 28, 2020
50,000	\$0.37	December 31, 2021
25,000	\$0.25	March 31, 2022
340,000	\$0.26	February 26, 2024
18,484,380		

The weighted-average remaining contractual life of warrants outstanding at June 30, 2020 was 1.63 years.

d. Options

On May 14, 2020, the Company granted 5,700,000 stock options to officers, directors and consultants of the Company. The stock options are exercisable at \$0.20 per share until May 15, 2023. One-third of the options will vest immediately, one-third of the options on May 14, 2021 and the remaining one-third on May 14, 2022.

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14. SHARE CAPITAL (Continued)

Continuity of the Company's stock options is as follows:

	Number of options	Weighted average exercise price (\$CAD)	Weighted average exercise price (\$USD)
Outstanding, December 31, 2018 and 2019	-	\$ -	\$ -
Granted	5,700,000	0.20	0.15
Outstanding, June 30, 2020	5,700,000	\$ 0.20	\$ 0.15
Exercisable, June 30, 2020	1,900,000	\$ 0.20	\$ 0.15

The above options have an exercise price of \$0.15 (\$0.20 CAD) and expire on May 15, 2020. As at June 30, 2020, the weighted average remaining contractual life of outstanding options is 2.87 years.

Employee options were measured at fair value on the grant date and recognized over the vesting period from the date of grant. Nonemployee options were measured indirectly with reference to the fair value of the equity instruments granted as the fair value of goods and services received cannot be measured reliably. Nonemployee options are measured at the end of each reporting period over the term that goods and services are received. For the six months ended June 30, 2020, the Company recognized share-based payments of \$260,362 (2019 - \$31,902) related to the fair value vested in the current period.

The fair value of stock options granted during the six months ended June 30, 2020 was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	June 30, 2020
Foreign exchange rate	1.30
Risk-free interest rate	1.71%
Expected volatility	150%
Dividend yield	0%
Expected life	3.00 years

e. Escrowed shares

As at June 30, 2020, the Company had 4,544,355 common shares and 126,685 preferred shares held in escrow pursuant to the RTO (Note 1). Of the total remaining securities, 908,871 common shares and 25,341 preferred shares will be released every six months beginning April 17, 2020.

f. Obligation to issue shares

On September 20, 2019, the Company was obligated to issue 98,990 common shares in exchange for services at a fair value of \$122,500 included in professional fees in general and administrative expense. As at June 30, 2020, the shares had not yet been issued.

As at June 30, 2020, the Company was obligated to issue options in exchange for investor relations services recorded as share-based compensation. The options have a fair value of \$36,427 determined using the Black-Scholes option pricing model with the following weighted average assumptions: no expected dividends to be paid; volatility of 150%; risk-free interest rate of 1.71%; and expected life of 0.84 years.

During the year ended December 31, 2019, the Company received \$786,015 in share subscriptions for a private placement which had not yet closed, and which is included in obligation to issue shares. On February 26, 2020, \$647,367 was reclassified from obligation to issue shares related to the issuance of 3,095,000 common shares.

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15. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties and related party transactions impacting the financial statements not disclosed elsewhere in these financial statements are summarized below.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. Key management personnel comprise officers and directors of the Company.

Remuneration attributed to key management personnel for the period ended June 30, 2020 and 2019 are summarized as follows:

		2020		2019
Management fees	\$	150,000	\$	197,500
Share based payments		171,291		1,027
	\$	321,291	\$	198,527

Other related party transactions and balances

- a) As at June 30, 2020, a revolving promissory note due to a company jointly controlled by the President and the Vice President had a balance of \$447,708 (December 31, 2019 - \$395,638) and was included in due to related parties. The note is unsecured and, bears interest at 5% per annum. The interest was due monthly with the principal balance due on demand. On January 1, 2019, the Company entered into a modification agreement to amend the maturity date of the principal balance to December 31, 2024.

The Company recorded the promissory note at amortized cost using an effective interest rate of 20% which caused the carrying amount to be lower than the principal and accrued interest with the difference recognized in as a related party contribution in capital reserve. During the six months ended June 30, 2020, the Company recognized an additional \$18,573 as related party contributions pursuant to proceeds received during the period. The Company recorded accretion expense of \$40,643. As at June 30, 2020, the note accrued interest of \$32,857 (December 31, 2019 - \$14,905) included in accounts payable and other liabilities.

- b) On September 1, 2018, a company jointly controlled by the President of the Company and the Chief Operating Officer of the Company advanced \$7,500 to the Company in exchange for a promissory note. The note is unsecured and bears interest at 6% per annum. Payments of interest only are due monthly on the first day of every calendar month starting January 1, 2018 with payment in full at maturity on December 31, 2019. Should the Company default on an interest payment, the interest rate shall increase to 12% per annum. On January 1, 2019, the Company entered into an agreement amending the maturity date of the note to December 31, 2021.

As of June 30, 2020, the balance due on this note was \$8,006 (December 31, 2019 - \$7,838), the principal balance of \$7,500 has been included in due to related parties, and accrued interest of \$506 (December 31, 2019 - \$338) has been included in accounts payable and other liabilities.

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15. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

- c) On April 1, 2019, the Company entered into an unsecured promissory note with a company jointly controlled by the President and the Chief Operating Officer (the "Related Entity") whereby the Related Entity loaned a balance up to \$500,000 to the Company. As at June 30, 2020, the Company had a balance of \$135,770 (December 31, 2019 - \$4,999) and was included in due to related parties. The note is unsecured, bears interest at 8% per annum, has payments of interest only due monthly with the principal balance due on June 30, 2022.

The Company recorded the promissory note at amortized cost using an effective interest rate of 20% which caused the carrying amount to be lower than the principal and accrued interest with the difference recognized in as a related party contribution in capital reserve. During the six months ended June 30, 2020, the Company recognized an additional \$83,497 as related party contributions pursuant to proceeds received during the period. The Company recorded accretion expense of \$4,999. As at June 30, 2020, the note accrued interest of \$6,471 (December 31, 2019 - \$nil) included in accounts payable and other liabilities.

- d) On December 31, 2018, the Company entered into an unsecured promissory note with a company controlled by a director (the "Related Entity") whereby the Related Entity loaned \$33,736 to the Company. As at June 30, 2020, the Company had a balance of \$33,736 (December 31, 2019 - \$33,736) and was included in due to related parties. The note is unsecured, bears interest at 6% per annum. Interest and principal are due and payable on the maturity date of December 31, 2020. As at June 30, 2020, there was accrued interest payable of \$1,515 (December 31, 2019 - \$1,011) included in accounts payable and accrued liabilities.
- e) During the period ended June 30, 2020, the Company incurred \$41,689 (2019 - \$nil) in professional fees to a company controlled by the Chief Financial Officer of the Company recorded in general and administrative expenses.
- f) During the period ended June 30, 2020, the Company incurred \$18,733 (2019 - \$nil) in professional fees to a company controlled by a director of the Company recorded in general and administrative expenses.
- g) As at June 30, 2020 accounts payable and other liabilities included rental fees of \$49,956 (December 31, 2019 - \$48,469) due to a company jointly controlled by the President and Chief Operating Officer.
- h) As at June 30, 2020, accounts payable and other liabilities included salaries and wages of \$143,452 (December 31, 2019- \$66,048) due to the President of the Company.
- i) As at June 30, 2020, accounts payable and other liabilities included professional fees of \$66,375 (December 31, 2019 - \$37,913) due to a company controlled by Chief Financial Officer of the Company.
- j) As at June 30, 2020, accounts payable and other liabilities included professional fees of \$143,123 (December 31, 2019- \$97,868) due to a company controlled by a director of the Company.
- k) As at June 30, 2020, accounts payable and other liabilities included consulting fees of \$412,434 (December 31, 2019 - \$411,930) due to a company controlled by a director of the Company.
- l) As at June 30, 2020 the Company owed \$1,676 (December 31, 2019 - \$3,324) to a company jointly controlled by the President and the Chief Operating Officer related to expense reimbursements included in due to related parties.

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16. REVENUE

The following table presents the Company's sales disaggregated by revenue source:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Clones	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
Hemp biomass	-	-	-	1,200,000
CBD Oil	-	558,500	-	559,000
CBD Oil products	296,550	49,674	444,644	112,534
Processing and extraction	-	234,053	-	234,053
Total revenue	\$ 296,550	\$ 1,842,227	\$ 444,644	\$ 3,105,587

17. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Investor relations	\$ -	\$ -	\$ 986	\$ -
Office expenses	11,947	75,327	59,913	95,264
Professional fees	91,318	79,631	181,781	172,515
Rent	7,845	30,479	66,920	60,317
Salaries	250,525	391,864	312,998	857,178
Small tools and equipment	1,329	7,561	2,180	15,045
Travel	1,702	44,088	15,784	52,316
Utilities and services	15,130	82,872	27,852	96,348
	\$ 379,796	\$ 711,822	\$ 668,414	\$ 1,348,983

18. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash transactions during the six months ended June 30, 2020 and 2019 affecting cash flows from investing and financing activities included:

	2020		2019	
Notes payable converted into shares (Note 14)	\$ -	\$ -	\$ -	\$ 140,771
Trade payables settled for issuance of shares (Note 14)	\$ 50,189	\$ -	\$ -	\$ -
	2020		2019	
Cash paid for interest	\$ 32,698	\$ -	\$ -	\$ 47,375
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ -

19. SEGMENTED INFORMATION

The Company has a single reportable segment, the production and sale of CBD products. The Company has three revenue streams related to the sale of CBD products: biomass, CBD oil and CBD oil products. All assets are domiciled in the United States.

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20. SUBSEQUENT EVENTS

On July 1, 2020, the Company entered into a loan modification agreement with an investor to extend the maturity date of a loan agreement dated December 13, 2019 to October 1, 2020. The investor will be granted 100,000 warrants for the modification.

On September 8, 2020, the Company issued 3,282,830 common shares of which 141,163 were issued as settlement of existing debt of \$32,467 and 3,141,667 were issued in exchanged for consulting services.

Subsequent to June 30, 2020, 1,450,000 warrants expired unexercised.