



Unaudited Condensed Consolidated Interim Financial Statements of

CHOOM HOLDINGS INC.

September 30, 2020

CHOOM HOLDINGS INC.
September 30, 2020 and 2019
(Unaudited, expressed in Canadian Dollars)

INDEX

Page:

Unaudited Interim Condensed Consolidated Financial Statements

●	Notice to Readers	1
●	Unaudited Condensed Consolidated Interim Statements of Financial Position	2
●	Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss	3
●	Unaudited Condensed Consolidated Interim Statements of Changes in Equity	4
●	Unaudited Condensed Consolidated Interim Statements of Cash Flows	5
●	Notes to the Unaudited Condensed Consolidated Interim Financial Statements	6 - 35

NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements of Choom Holdings Inc. for the three months ended September 30, 2020 have been prepared by and are the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited condensed interim financial reporting.

The Company's independent auditor has not audited or performed a review of these unaudited condensed consolidated interim financial statements, in accordance with standards established by the Canadian Institute of Chartered Accountant for a review of unaudited condensed interim financial statements by an entity's auditor.

CHOOM HOLDINGS INC.**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Unaudited, expressed in Canadian Dollars)

	Note	September 30, 2020	June 30, 2020
ASSETS			
Current			
Cash and cash equivalents	6 \$	822,819 \$	461,100
Marketable securities	10	833	1,133
Short-term investments	7	96,858	46,000
Trade and accounts receivable	8	533,477	365,559
Inventory	11	1,345,550	1,002,217
Prepaid expenses and deposits	27	675,512	469,411
Assets held for sale	12	-	600,558
		3,475,049	2,945,978
Non-Current			
Long-term lease deposits	27	435,426	540,274
Property and equipment	12	7,500,636	7,131,547
Right of use assets	14	9,621,651	8,096,315
Intangible assets	13	12,660,943	7,934,688
Investment	5	1,904,947	1,904,947
Notes receivable and deposits	9	927,931	912,951
Goodwill	5	2,181,521	3,154,571
	\$	38,708,104	\$ 32,621,271
LIABILITIES			
Current			
Trade and other payables	15,17, 21 \$	3,966,049 \$	3,982,739
Lease liabilities	14	1,498,073	1,350,201
Notes payable	16	1,040,000	1,092,500
Taxes payable	5	-	210,295
Advances from shareholders	23	4,000	4,000
		6,508,122	6,639,735
Non-Current			
Lease liabilities	14	8,103,070	6,589,536
Government assistance	28	413,941	240,000
Convertible debenture	17	17,994,159	17,606,912
Deferred income tax liability	5	961,740	961,740
		33,981,032	32,037,923
SHAREHOLDERS' EQUITY			
Share capital	18	128,328,330	121,460,291
Obligation to issue shares	23	771,900	771,900
Equity portion of convertible debenture	17	5,739,326	5,739,326
Contributed surplus	5, 19	9,054,738	8,801,591
Accumulated other comprehensive income		1,678	-
Accumulated deficit		(139,168,900)	(136,189,760)
		4,727,072	583,348
	\$	38,708,104	\$ 32,621,271

Approved by the Board of Directors:

"Stephen Tong"

Stephen Tong

"Christopher Bogart"

Christopher Bogart

CHOOM HOLDINGS INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited, expressed in Canadian Dollars)

		For the three months ended September 30	
	Note	2020	2019
Revenue			
Recreational - Retail	\$	5,985,415	\$ -
Clinic services		135,823	188,540
Total revenue		6,121,238	188,540
Cost of sales			
Recreational - Retail		(3,863,339)	-
Doctor and coaching fees		(34,292)	(61,464)
Medical supplies		-	(3,419)
Gross profit		2,223,607	123,657
Expenses			
Administrative and general	5, 20, 21	\$ 963,380	\$ 1,664,010
Salary, wages, benefits	21	1,116,527	209,197
Depreciation and amortization	12, 13, 14	590,796	211,702
Foreign exchange		(16)	4,332
Marketing, website and media design		98,348	212,315
Application and termination of agreements costs		-	51,867
Share-based payments	19	118,762	345,009
		(2,887,797)	(2,698,432)
Loss before other items		(664,190)	(2,574,775)
Other items			
Interest income		436	116,289
Licensing income	5	-	50,000
Rental income	12	9,663	127,952
Other income	5	19,235	-
Gain on sale of property and equipment	12	2,342	-
Fair value loss on marketable securities	10	(300)	(100)
Loss on write-off of note receivable		-	(3,904)
Impairment on intangible assets	13	(1,024,975)	-
Impairment of property and equipment	12	(115,435)	-
Termination of agreement costs	27	(50,000)	-
Loss on settlement of debt	18	(54,132)	-
Financing costs	14, 17	(1,062,567)	(669,622)
Other expenses	5	(13,691)	-
Loss before income tax		(2,289,424)	(2,954,159)
Deferred income tax recovery		-	-
Loss from continuing operations		(2,953,614)	(2,954,159)
Loss from discontinued operations	23	(25,526)	(25,440)
		(2,979,140)	(2,979,599)
Other comprehensive loss	10	1,678	(27,105)
Net loss and comprehensive loss	\$	(2,977,462)	\$ (3,006,704)
Net loss from continuing operations, basic and diluted	22	\$ (0.01)	\$ (0.02)
Net loss from discontinued operations, basic and diluted	22, 23	\$ (0.00)	\$ (0.00)

CHOOM HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, expressed in Canadian Dollars)

	Note	Share Capital	Obligation to Issue Shares	Equity Portion of Convertible Note	Contributed Surplus	Accumulated Comprehensive Other Income	Accumulated Deficit	Total
Balance June 30, 2019		115,673,380	1,929,750	5,419,751	7,418,488	-	(115,843,334)	14,598,035
Net loss for the year		-	-	-	-	-	(20,346,426)	(20,346,426)
Shares issued for acquisition		3,659,032	-	-	-	-	-	3,659,032
Convertible debentures		-	-	319,575	-	-	-	319,575
Shares issued for cash		937,500	-	-	62,500	-	-	1,000,000
Share commitments issued		1,157,850	(1,157,850)	-	-	-	-	-
Shares issued for consulting fees		25,800	-	-	-	-	-	25,800
Shares issued for debt		47,870	-	-	-	-	-	47,870
Share-based payments		-	-	-	1,320,603	-	-	1,320,603
Share issue costs		(41,141)	-	-	-	-	-	(41,141)
Balance June 30, 2020		121,460,291	771,900	5,739,326	8,801,591	-	(136,189,760)	583,348
Net loss for the year		-	-	-	-	1,678	(2,979,140)	(2,977,462)
Shares issued for acquisition	5	6,460,819	-	-	134,384	-	-	6,595,203
Shares issued for transaction costs	18	412,603	-	-	-	-	-	412,603
Share-based payments	19	-	-	-	118,762	-	-	118,762
Share issue costs	19	(5,382)	-	-	-	-	-	(5,382)
Balance September 30, 2020		128,328,331	771,900	5,739,326	9,054,737	1,678	(139,168,900)	\$ 4,727,072

CHOOM HOLDINGS INC.
CONSOLIDATED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the three months ended September 30

(Unaudited, expressed in Canadian Dollars)

		For the three months ended September 30	
	Note	2020	2019
OPERATING ACTIVITIES			
Net loss for the year from continuing operations	\$	(2,953,614)	\$ (2,954,159)
Items not affecting cash			
Depreciation and Amortization	12,13,14	590,796	211,702
Share-based payments	19	118,762	345,009
Shares issued for consulting fees	26	-	25,800
Shares issued for transaction costs	18,26	154,132	-
Financing costs	17,14	1,062,567	669,172
Decrease in fair value of marketable securities	10	300	100
Impairment of intangibles	13	1,024,975	-
Gain on sale of property and equipment	12	(2,342)	-
Impairment of property and equipment	12	115,435	-
Operating cash flow before non-cash changes in working capital		111,011	(1,702,376)
Changes in non-cash working capital:			
Trade and accounts receivable	8	(72,558)	274,037
Inventory		(178,633)	19,979
Trade and other payables	15,20	(718,063)	(757,885)
Prepaid expenses and advances	27	(71,900)	284,496
Net cash used in operating activities from continuing operations		(930,143)	(1,881,749)
Net cash used in discontinued operations	23	(3,299)	(3,213)
Net cash used by operating activities		(933,442)	(1,884,962)
INVESTING ACTIVITIES			
Deposits	27	104,848	5,408
Loans and deposits to acquisition targets	5,9	-	(534,651)
Purchase of property and equipment	12	(134,928)	(270,299)
Acquisition of intangibles	13	(3,596)	(5,134)
Acquisition of Phivida	5	1,448,891	-
Loan receivable	5	-	(55,860)
Proceeds from sale of property and equipment	12	469,426	-
Net cash used in investing activities from continuing operations		1,884,641	(860,536)
Net cash used in investing activities from discontinued operations	23	-	-
Net Cash provided by investing activities		1,884,641	(860,536)
FINANCING ACTIVITIES			
Lease liability payments	14	(580,800)	(118,270)
Private placements		-	1,000,000
Share issue costs	18	(5,382)	(2,832)
Net cash provided by financing activities		(586,182)	878,898
Increase in cash and cash equivalents from continuing operations		365,018	(1,863,388)
Decrease in cash and cash equivalents from discontinued operations	23	(3,299)	(3,213)
Cash and cash equivalents from beginning of year		461,100	4,816,164
Cash and cash equivalents, end of year	\$	822,819	\$ 2,949,563
Composition of cash and cash equivalents			
Cash	\$	822,819	\$ 2,863,032
Cash equivalents	6	-	86,531
Cash and cash equivalents, end of the year	\$	822,819	\$ 2,949,563

Supplemental cash flow information – Note 26

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Unaudited, expressed in Canadian Dollars)**

1. CORPORATION INFORMATION

Choom Holdings Inc. (the "Company" or "Choom") was incorporated in the province of British Columbia on September 18, 2006 under the *Business Corporations Act*. Effective February 3, 2012, the Company commenced trading on the TSX Venture Exchange (the "Exchange") under the symbol "SGH" as a Tier 2 issuer.

During the year ended June 30, 2019, the Company re-directed its focus from the cultivation aspect of the cannabis industry to the retail sector. The Company's shares are listed on the Canadian Securities Exchange under the symbol "CHOO" and on the OTC Markets Group under the symbol "CHOOF".

The Company's corporate office and principal place of business is located at #208 – 1525 West 8th Avenue, Vancouver, British Columbia V6J 1T5.

2. BASIS OF PREPARATION AND GOING CONCERN

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and do not include all disclosures included in the Annual Consolidated Financial Statements for the year ended June 30, 2020. Accordingly, these Interim Consolidated Financial Statements should be read in conjunction with the Annual Consolidated Financial Statements. Certain prior period amounts have been reclassified to conform with the current period's presentation.

The consolidated financial statements were authorized for issue by the Board of Directors on November 30, 2020.

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

The preparation of the consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in Note 4.

Going Concern

The Company has not yet achieved profitable operations. These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred a net loss from continuing operations of \$2,953,614 and a loss from discontinued operations of \$25,526 for the three month period ended September 30, 2020 (2019 - \$2,954,159 from continuing operations and \$25,440 from discontinued operations) and as at that date has accumulated a deficit of \$139,168,900 (Sept 30, 2019 - \$118,822,932) and is expected to continue to incur losses. The Company will continue to have to raise funds beyond its current working capital balance in order to finance future development of potential retail license acquisitions, meet its debt obligations until such time as future profitable revenues are achieved. Although it has been successful in raising capital in the past, there is no assurance it will be able to do so in the future. These conditions indicate the existence of material uncertainties, which may cast significant doubt on the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary approvals and financing to meet the Company's obligations. Should the Company no longer be able to continue as a going concern, certain assets and liabilities may require restatement on a liquidation basis, which may differ materially from the going concern basis. No adjustments to the carrying values of the assets and liabilities have been made in these consolidated financial statements.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(Unaudited, expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Consolidation**

These consolidated financial statements include the accounts of the Company's following wholly owned subsidiaries:

Name of Subsidiary	Jurisdiction
Medi-can Health Solutions Inc. ("Medi-Can")	British Columbia
Arbutus Brands Inc. ("Arbutus")	British Columbia
Island Green Cure ("IGC")	British Columbia
102047851 Saskatchewan Ltd.	Saskatchewan
2660837 Ontario Ltd.	Ontario
2668667 Ontario Ltd.	Ontario
2688412 Ontario Inc. ("2688412 Ontario")	Ontario
2151414 Alberta Ltd.	Alberta
2150639 Alberta Ltd.	Alberta
2150647 Alberta Ltd.	Alberta
2168698 Alberta Ltd.	Alberta
Universal Cannabis Coaching Inc. ("UCC")	British Columbia
Western Cannabis Coaching Centre Inc. ("WCC")	British Columbia
1165962 BC Ltd. ("1165962 BC")	British Columbia
Concord Medical Centre Inc. ("Concord Medical")	British Columbia
Choom BC Retail Holdings Inc.	British Columbia
Choom Holdings USA Inc. ("Choom US")	Delaware
835148 Yukon Inc.	Yukon

These consolidated financial statements include the operating results of these subsidiaries from the date of acquisition or formation through to June 30, 2020 and 2019.

A subsidiary is an entity that the Company controls, either directly or indirectly, where control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All inter-company transactions and balances including unrealized income and expenses arising from intercompany transactions are eliminated in preparing consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in loss/income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

Asset Acquisitions Versus Business Combinations

Management had to apply judgment with respect to whether the acquisition of the Medical Centre, the Clarity Retail Acquisition, the Niagara Acquisition, the Green Room Retail Acquisition, the Medical Centre Acquisition, Phivida Transaction (as defined in Note 5), were asset acquisitions or business combinations. The assessments required management to assess the inputs, processes and outputs of the companies acquired at the time of acquisition. Pursuant to the assessment, the Clarity Retail Acquisition and Phivida Transaction were considered asset acquisitions and the Medical Centre and Niagara Acquisition were considered business combinations.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)**Determination of Purchase Price Allocations and Contingent Consideration**

Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Management exercises judgment in estimating the probability and timing of when cash flows are expected to be achieved, which is used as the basis for estimating fair value. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss. The fair value of identified intangible assets is determined 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. 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.

Income Taxes

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted.

Going Concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investment and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumptions be inappropriate.

Convertible Debentures

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount factors, and the presence of any derivative financial instruments.

Interest Rates

The Company estimates a market interest rate in determining the fair value of the liability component of its convertible debentures, the fair value of the notes receivable and the fair value of the right of use assets and lease liabilities. The determination of the market interest rate is subjective and could materially affect these fair value estimates.

Assets Held for Sale and Discontinued Operations

The Company uses its judgment to determine whether an asset or disposal group is available for immediate sale in its present condition and whether its sale is highly probable and therefore should be classified as held for sale at the balance sheet date. The Company also uses its judgment to determine whether a component of the Company that either has been disposed of or is classified as held for sale meets the criteria of a discontinued operation. The key area that involves management judgment in this determination is whether the component represents a separate major line of business or geographical area of operation.

Valuation of Share-based Payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)**Impairment of Property and Equipment, Intangible Assets and Goodwill**

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that the carrying amount is not recoverable. The determination of whether any such indication exist requires significant management judgment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When an individual asset does not generate independent cash flows, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Many factors are used in assessing recoverable amounts and are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments.

Estimated Useful Lives and Depreciation/Amortization of Property and Equipment and Intangible Assets

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

Fair Value Measurements

Certain of the Company's assets such as share purchase options, share purchase warrants, marketable securities, short-term investments, other assets, loan receivable and investment are measured at fair value. The estimated fair value of financial assets, by their very nature, are subject to measurement uncertainty. The Company estimates fair value using valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Such valuation techniques include the market approach and the cost approach.

Recoverability of Trade and Accounts Receivable, Deposits, Notes Receivable and Loan receivable

Estimates and judgments are inherent in the on-going assessment of the recoverability of trade and accounts receivable, deposits, notes receivable and loan receivable. The Company maintains an allowance for doubtful accounts to reflect expected credit losses. The Company is not able to predict changes in financial conditions of its customers and note holders and the Company's judgment related to the recoverability of trade and accounts receivable, notes and loan receivable may be material.

Application of IFRS 16

The Company applies judgment in determining whether the contract contains an identified asset, whether the Company has the right to control the asset, and the lease term. Lease term reflect the period over which the lease payments are reasonably certain including renewal options that the Company is reasonably certain to exercise. The determination of lease terms involves significant judgment with respect to assumptions of whether lease extensions will be utilized. Management makes assumptions about long-term industry outlook and store operating performances and growth which relate to future events and circumstances. Actual results could vary from these assumptions, and the differences could be material to the carrying value of the lease liabilities and right of use assets, for which the lease term is the basis for determining useful life.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligations. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the expected future cash flows.

Modification versus Extinguishment of Financial Liability

Judgment is required in applying IAS 32 *Financial Instruments: Presentation* and IFRS 9 *Financial Instruments: Recognition and Measurement* to determine whether the amended terms of the convertible debentures are a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original convertible debenture.

5. ACQUISITIONS

Phivida Transaction

On July 23, 2020 in connection with the Arrangement Agreement, Choom received a \$500,000 in bridge financing (the "Bridge Financing") from Phivida. The Bridge Financing is evidenced by a convertible secured promissory note (the "Promissory Note") bearing interest at a rate of 15% per annum on the outstanding principal sum. The aggregate principal amount of the Bridge Financing and accrued and unpaid interest thereon is, in certain circumstances, convertible into common shares of Choom (the "Choom Shares") at a conversion price of \$0.115 per share. Certain of Choom's subsidiaries have also agreed to guarantee Choom's obligations under the Bridge Financing. Pursuant to the terms of the Promissory Note, Choom and the guarantor subsidiaries thereof have granted Phivida a third ranking security interest over all of their respective present and after-acquired property. The security interest is governed in accordance with the terms and conditions of a security agreement between Choom and the guarantors and Phivida, dated July 23, 2020.

In connection with the Bridge Financing, Choom also granted Phivida 4,347,826 non-transferable common share purchase warrants (the "Warrants"). Each Warrant entitles Phivida to acquire one Choom Share at an exercise price of \$0.115 per share for a period of three years from the date of issuance (subject to automatic earlier expiry immediately prior to the consummation of the transactions contemplated by the Arrangement Agreement). The Warrants are only exercisable from and after the termination of the Arrangement Agreement for any reason other than as a result of a breach of the Arrangement Agreement by Phivida.

The parties also amended the Arrangement Agreement in order to provide that the closing condition in favour of Choom that Phivida have not less than \$2,000,000 in working capital surplus be reduced to \$1,500,000, on account of the funds advanced to Choom under the Bridge Financing.

On September 16, 2020, Choom received the necessary regulatory, court and stock exchange approval to complete the acquisition of Phivida resulting in a total of 64,608,187 Choom Shares issued to the former holders of Phivida Shares, resulting in former Phivida shareholders holding approximately 28.6% of the total number of issued and outstanding Choom Shares (based on 225,753,870 Choom Shares issued and outstanding immediately after closing). In addition, the outstanding options to purchase Phivida Shares have been replaced with 7,881,837 options to purchase Choom Shares on the same terms and conditions, other than necessary adjustments to take into account the Exchange Ratio, as set out in the Plan of Arrangement.

Under IFRS 3, the substance of the acquisition does not constitute a business combination and the transaction was accounted for as an asset acquisition. Details of the carrying amount and the fair value of identifiable assets and liabilities acquired and purchase consideration paid is as follows:

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(Unaudited, expressed in Canadian Dollars)

5. ACQUISITIONS (cont'd)**Phivida Transaction (cont'd)**

Fair value of 64,608,187 Choom common shares issued	\$	6,460,819
Transaction Costs		285,499
Replacement Options		134,384
Total Purchase Price	\$	6,880,701
Choom Bridge Financing Loan		500,000
Cash		1,232,885
Term Deposit		50,236
Prepaid Expenses		89,419
Inventory		164,700
Accounts Receivable		110,341
Property, plant and equipment		508,515
Intangible asset		4,776,257
Accounts Payable		(379,837)
Government Assistance		(171,815)
Net assets acquired	\$	6,880,701

Consideration for acquisition of the Phivida Transaction included:

- the issuance of an aggregate 64,608,187 common shares to the former holders of Phivida valued at the market rate on the day of closing at \$0.10 per share;
- the Company's professional fees to complete the transaction of \$285,499;
- the adjusted fair value measurement of Phivida options that were replaced with Company options. The fair value measurement difference of \$134,384 was added to the purchase price and recognized in Contributed Surplus.

The Bridge Financing Loan remains an intercompany payable and is eliminated on consolidation. The Intangible assets acquired are attributed to the proprietary technology platforms which will be re-purposed and integrated with the Company.

As at September 30, 2020, there was \$19,235 in revenue generated primarily from the web platform, Wikala.com, and related selling expenses of \$13,691. The Company does not expect these revenues and expenses to be ongoing and has recognized them in Other Income and Other Expenses (September 30, 2019 - \$Nil).

Niagara Option and Purchase Agreement

On February 13, 2019, the Company entered into an option and cooperation agreement, as amended and restated on February 26, 2019 and July 19, 2019 (the "Niagara Option") between the Company and a retail cannabis lottery winner (the "Vendor") under the Alcohol and Gaming Commission of Ontario ("AGCO"), pursuant to which the parties agreed to assist and cooperate with each other to, among other things, facilitate the realization of the acquisition of a retail store located in Niagara, Ontario operating under the Choom™ brand (the "Niagara Store") and satisfy the conditions for the Company to be able to realize its option to purchase the assets relating to the Niagara Store subject to all the necessary provincial and municipal governmental approvals.

Consideration for the Niagara Option included:

- \$500,000 upon receipt of a Retailer Operator License ("ROL") issued by the AGCO received on April 29, 2019, (paid);
- \$500,000 upon receipt of a Retail Store Authorization ("RSA") issued by the AGCO received on April 29, 2019 (paid); (collectively the "Option Payment")

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(Unaudited, expressed in Canadian Dollars)

5. ACQUISITIONS (cont'd)**Niagara Option and Purchase Agreement (cont'd)**

Additionally, consideration for the exercise of the Niagara Option consisted of \$2,000,000 cash payment and \$2,000,000 in Choom Shares (the "Choom Payment Shares"). The number of Choom Payment Shares to be determined by dividing \$2,000,000 by the 10-day volume weighted average trading price (the "VWAP") preceding date of closing of the purchase (the "Current Market Price"). The Choom Payment Shares issued will be held in escrow for a period of twelve months.

Effective November 25, 2019, the parties entered into a share purchase agreement wherein Choom would acquire the issued and outstanding shares of 2688412 Ontario, which was wholly owned by the Vendor and the assets and business of the Niagara Store. On April 1, 2020, the Company completed the acquisition of 2688412 Ontario (the "Niagara Transaction"). The acquisition of 2688412 Ontario provides the Company with access to an operating cannabis retail store in Niagara Falls, Ontario and furthers the Company's continued nationwide rollout.

As described hereinabove, consideration for the Niagara Transaction, included cash of \$2,000,000, of which \$1,450,000 was paid from the cumulative operating cash flow from the Niagara Store and the remainder was settled by a promissory note for \$550,000 (the "Niagara Note") to the Vendor. Additionally, the Company issued 22,126,066 common shares. Also included the purchase consideration is the amounts paid for the Niagara Option of \$1,000,000.

In accordance with IFRS 3 *Business Combinations* ("IFRS 3"), the substance of a transaction constitutes a business combination as the business of 2688412 Ontario meets the definition of a business under the standard. Accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date. The purchase price is based on management's estimate of fair value of the common shares issued and cash consideration paid.

Management used a combination of income, market, work for replacement values and cost-based approaches to estimate the fair value of net assets acquired of the Niagara Store.

Details of the carrying amount and the fair value of identifiable assets and liabilities acquired and purchase consideration paid is as follows:

Fair value of 22,126,066 Choom common shares issued	\$	2,000,000
Cash payment and promissory note		2,000,000
Option payment		1,000,000
Total purchase price	\$	5,000,000
Cash	\$	1,528,890
Taxes recoverable and other receivables		33,083
Prepaid expenses		1,257
Inventory		227,213
Property and equipment		754,886
Licenses		3,562,000
Goodwill		2,181,521
Trade payables		(136,239)
Long-term debt		(1,980,576)
Taxes payable		(210,295)
Deferred income tax liability		(961,740)
Net assets acquired	\$	5,000,000

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Unaudited, expressed in Canadian Dollars)**

5. ACQUISITIONS (cont'd)**Niagara Option and Purchase Agreement** (cont'd)

Goodwill is attributed to the workforce and profitability of the acquired business. It is not deductible for tax purposes. A pre-tax discount rate of 61% was used in the fair value assumptions for the licenses acquired.

Effective August 1, 2019, the Company entered into a licensing agreement wherein the Niagara Store utilized the Choom brand "Choom Cannabis Co." for consideration of \$25,000 per month effective August 1, 2019. Subsequent to the acquisition, the licensing income became an intercompany transaction and eliminated on consolidation. For the three months ended September 30, 2020, the Company recognized licensing income of \$Nil (2019 – \$50,000).

Aggregate loans and investments in the amount of \$1,980,576 advanced in connection with the Niagara Option were included in the net assets acquired. Subsequent to the acquisition, this amount is an intercompany transaction and is eliminated on consolidation. Interest income of \$Nil (2019 - \$72,393) for the period up to the acquisition was included in interest revenue.

On May 28, 2020, the Niagara Note was extinguished by way of the proceeds from the sale of property (see Note 12).

Clarity Cooperation and Option Agreement

Pursuant to the terms of a cooperation and option agreement (the "Cooperation Agreement") effective February 26, 2019 and further amended on October 10, 2019, with Clarity Cannabis MD Holdings Inc. ("Clarity") and the shareholders of Clarity (collectively the "Optionors"), the Company agreed to acquire all assets held by Clarity in connection with 9 operating retail cannabis stores and further 18 in-progress retail opportunities including leasehold improvements and deposits, equipment, and retail cannabis municipal development permits issued thereto (the "Retail Opportunities"). On October 1, 2019, the Company exercised its right to acquire the Retail Opportunities. Subsequent to the Company receiving approvals on its applications for the 9 operating locations from the Alberta Gaming, Liquor and Cannabis ("AGLC"), the acquisition was completed on October 28, 2019. The Company submitted and received AGLC approval on a further 4 applications for retail locations forming part of the Retail Opportunities.

Consideration for option included:

- a) a cash payment of \$2,000,000 (paid);
- b) the issuance of 5,000,000 common shares (the "Option Shares") to all of the Optionors, pro-rata (issued), subject to escrow release over two years (Note 18);
- c) the issuance of an additional 1,000,000 common shares to a certain shareholder (issued); and
- d) the issuance of 200,000 common shares for Clarity's legal services (the "Counsel Shares"). The Counsel Shares do not form part of the option price or the purchase price.

The Option Shares were valued at \$2,880,000 and the Counsel Shares were valued at \$96,000 as determined by the market price when issued being \$0.48 per share.

Consideration for acquisition of the Retail Opportunities included:

- e) a cash payment, subject to a statement of adjustments of \$500,000¹ (\$250,000 paid) and \$100 (paid) to Clarity;
- f) the issuance of an aggregate 6,103,608 common shares (the "Acquisition Shares") to the Optionors based on each of the Optionors' pro-rata holdings of Clarity shares (issued) subject to escrow release over two years;
- g) \$300,000 cash payment and \$107,600 in reimbursement of realtor commissions due the earlier of six-month from closing (April 28, 2020 – unpaid as of September 30, 2020) or in the event Choom completes one or more equity financings for gross proceeds greater than \$6,000,000; and
- h) 10% of the first \$100,000 in net proceeds plus 50% of all net proceeds in excess of \$100,000 in the event Choom should sell certain retail locations included in the Cooperation Agreement.

¹ Pursuant to the acquisition of the Retail Opportunities, certain advances made to Clarity in connection with leasehold improvements and inventory may be adjusted against remaining amounts due to Clarity. As at September 30, 2020, the final adjustment statement remained outstanding.

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(Unaudited, expressed in Canadian Dollars)

5. ACQUISITIONS (cont'd)**Clarity Cooperation and Option Agreement (cont'd)**

The Acquisition Shares were valued at \$1,342,794 as determined by the market price when issued being \$0.22 per share (Note 18).

In connection with acquisition of the Retail Opportunities, the Company had advanced \$5,894,836. These advances formed part of the consideration paid for the Retail Opportunities.

Under IFRS 3, the substance of the acquisition does not constitute a business combination as no processes were acquired and was accounted for as an asset acquisition recognized in property and equipment and the acquired development permits were recognized in intangible assets (Notes 12 and 13). The Option Shares were included in the purchase price of the Retail Opportunities and the Counsel Shares were included in the consolidated statements of loss and comprehensive loss during the year ended June 30, 2019.

Details of the carrying amount and the fair value of identifiable assets and liabilities acquired and purchase consideration paid is as follows:

Option Payment	
Fair value of 6,000,000 Choom common shares issued	\$ 2,880,000
Cash payment	2,000,000
Acquisition of Retail Opportunities	
Fair value of 6,103,608 Choom common shares issued	1,342,794
Cash payment, advances and promissory note	6,802,436
Transaction costs	176,527
Total purchase price	\$ 13,201,757
Deposits	\$ 86,245
Inventory	860,488
Property and equipment	3,616,512
Store permits	8,638,512
Right of use assets	5,067,815
Lease liabilities	(5,067,815)
Net assets acquired	\$ 13,201,757

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. Cash at banks earns interest at floating rates based on daily bank deposit rates.

7. SHORT-TERM INVESTMENTS

As at September 30, 2020, the company held \$96,858 in guaranteed investment certificates ("GIC's") and term deposit (June 30, 2020 - \$46,000). The \$46,000 GIC earns interest at approximately prime less 2.7% per annum and maturing October 22, 2021. The \$50,858 term deposit earns interest at 0.45% at matures December 9, 2020.

The short-term investments are held as security for corporate credit cards and renewed automatically. As such, it has been reported as a short-term investment on the consolidated statements of financial position.

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(Unaudited, expressed in Canadian Dollars)

8. TRADE AND ACCOUNTS RECEIVABLE

The Company's trade and other receivables were comprised of the following:

		September 30		June 30
		2020		2020
Trade accounts receivable	\$	180,770	\$	143,009
Sales tax receivable ¹		213,984		129,434
Interest on promissory notes receivable		436		14,310
Other receivables		138,287		78,806
Total trade and other receivables	\$	533,477	\$	365,559

¹ Sales tax receivable represents input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada.

9. NOTES RECEIVABLE

		September 30		June 30
		2020		2020
Non-current				
Promissory note receivable	\$	578,147	\$	556,550
Discount on promissory note receivable		349,785		356,401
Total	\$	927,931	\$	912,951

In connection with certain agreements in pursuing other retail opportunities, as at September 30, 2020, the Company had made advances of \$875,000 (June 30, 2020 - \$875,000) which are to be used in developing a specified location into a cannabis retailer and secure certain retail opportunities in Canada. Repayment of these loans is secured by rental revenue generated by the recipient from this specified location from tenancy of any licensed cannabis retailer. In the event that the recipient is unable to secure tenancy by a licensed cannabis retailer, the loan is also secured by leasehold improvements and any proceeds from the sale of the location. The advances bear annual interest rates of 3% and mature on October 15, 2024.

The fair value of these loans was calculated by discounting the cash flows of the loan receivable over their term at an estimated market rate of comparable loans of 15%.

Pursuant to notes receivable described above, the Company recognized \$6,616 (September 30, 2019 - \$Nil) of interest income in the consolidated statements of loss and comprehensive loss and \$14,981 (2019 - \$Nil) of accretion income net against financing costs in the consolidated statements of loss and comprehensive loss.

10. MARKETABLE SECURITIES

Marketable securities consist of an investment in 6,667 common shares of YDreams Global Interactive Technologies Inc. (formerly Apple Capital Inc.). As at September 30, 2020, the fair value of these common shares was \$833 (June 30, 2020 - \$1,133). During the period ended September 30, 2020, the Company recorded a \$300 fair value loss (2019 - \$100 fair value loss) of marketable securities.

The fair value of the marketable securities has been determined by reference to published price quotations in an active market, a Level 1 valuation.

In the period ended September 30, 2019, marketable securities also included an investment in 318,878 common shares of High Tide Inc. During the period ended September 30, 2019, the Company recorded a fair value loss of \$27,105 loss of investment in other comprehensive loss.

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(Unaudited, expressed in Canadian Dollars)

11. INVENTORY

Inventory is comprised of the following:

		September 30 2020	June 30 2020
Cannabis	\$	1,114,080	\$ 932,935
Accessories		64,732	69,282
Phivida ¹		166,738	-
	\$	1,345,550	\$ 1,002,217

1. During the three months ended September 30, 2020, the Company acquired \$166,738 in inventory consisting of capsules, tinctures and face serum as part of the Phivida Transaction (Note 5) that were sold subsequent to September 30, 2020 (Note 30).

12. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Land & Building	Furniture & Fixtures	Total
Balance June 30, 2019	\$ 528,885	\$ 4,035,000	\$ 52,547	\$ 4,616,432
Assets acquired on acquisition	2,869,102	-	1,618,534	4,487,636
Assets acquired	2,582,048	-	409,441	2,991,489
Disposition of assets	-	(3,242,500)	-	(3,242,500)
Property and equipment classified as assets held for sale	-	(615,400)	-	(615,400)
Balance June 30, 2020	\$ 5,980,035	\$ 177,100	\$ 2,080,522	\$ 8,237,657
Assets acquired on acquisition	-	-	508,515	508,515
Assets acquired	67,031		8,898	75,929
Balance September 30, 2020	\$ 6,047,066	\$ 177,100	\$ 2,597,936	\$ 8,822,102

Depreciation and impairment losses

Balance at June 30, 2019	\$ 109,072	\$ -	\$ 23,423	\$ 132,495
Depreciation for the year	111,078	97,719	260,448	469,245
Disposition of assets	-	(82,877)	-	(82,877)
Property and equipment classified as assets held for sale	-	(14,842)	-	(14,842)
Impairment for the year	408,369	177,100	16,620	602,089
Balance June 30, 2020	\$ 628,519	\$ 177,100	\$ 300,491	\$ 1,106,111
Depreciation for the year	75,290	-	24,630	99,920
Disposition of assets	-	-	-	-
Impairment for the year	115,435	-	-	115,435
Balance September 30, 2020	\$ 819,243	\$ 177,100	\$ 325,121	\$ 1,321,466

Carrying amounts

Carrying value at June 30, 2020	\$ 5,351,516	\$ -	\$ 1,780,031	\$ 7,131,547
Carrying value at September 30, 2020	\$ 5,227,821	\$ -	\$ 2,272,815	\$ 7,500,636

During the three months ended September 30, 2020, the Company completed the sale of certain buildings that were recognized as assets held for sale as at June 30, 2020. A gain of \$2,342 was recognized for the period ended September 30, 2020 (September 2019 - \$Nil).

During the period ended September 30, 2020, the Company acquired \$508,515 in equipment in connection with the Phivida Transaction as described in Note 5.

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(Unaudited, expressed in Canadian Dollars)

12. PROPERTY AND EQUIPMENT (cont'd)

During the period ended September 30, 2020, additional leasehold improvements of \$67,031 were acquired (September 30, 2019 - \$471,463) and related to improvements for various leasehold premises for the purposes of building out retail locations in advance of approval of various retail license applications. Depreciation of \$75,290 (2019 - \$Nil) was recorded for in use leasehold locations as at September 30, 2020.

During the period ended September 30, 2020, the Company impaired assets in connection with leasehold improvements of a closed store location that the Company does not intend to re-open with a book value of \$115,435 (2019 - \$Nil).

During the period ended September 30, 2020, the Company recognized rental income of \$9,663 (2019 - \$127,952) from sub-lease agreements.

13. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets	Store Permits	Patient List	Intellectual Property	Total
Balance at June 30, 2019	\$ -	\$ 60,300	\$ 796,693	\$ 856,993
Additions	12,400,512	-	24,394	12,424,906
Impairment	(4,627,511)	-	(713,000)	(5,340,511)
Depreciation	-	(6,700)	-	(6,700)
Balance June 30, 2020	\$ 7,773,001	\$ 53,600	\$ 108,087	\$ 7,934,688
Acquisitions	-	-	4,776,257	4,776,257
Additions	-	-	3,596	3,596
Impairment	-	(51,925)	-	(51,925)
Depreciation	-	(1,675)	-	(1,675)
Balance September 30, 2020	\$ 7,773,001	\$ -	\$ 4,887,940	\$ 12,660,943

Store Permits*Niagara Acquisition*

During the year ended June 30, 2020, pursuant to the Niagara Option and acquisition of the Niagara Store, the Company acquired a Retail Operator License and Retail Store Authorization License in connection with the business combination as described in Note 5. Management used a combination of market values and cost-based measurements to estimate fair value for the licenses of \$3,562,000 (2019 - \$Nil) in accordance with Level 3 of the fair value hierarchy.

Clarity Retail Acquisition

During the year ended June 30, 2020, pursuant to the Cooperation Agreement and acquisition of the Retail Opportunities as described in Note 5, the Company acquired 27 municipal development permits with a fair value of \$8,638,512. During the year ended June 30, 2020, 13 retail locations were opened and operating with one further application before the AGLC, that were included in the Retail Opportunities. The remaining 13 retail development permits are currently on hold. Accordingly, the Company has recorded an impairment of \$4,627,511 (2019 - \$Nil) as at June 30, 2020 with a balance remaining of \$4,011,001. Management used a combination of market values and cost-based measurements to estimate fair value for the permits of \$4,011,001 (2019 - \$Nil) in accordance with Level 3 of the fair value hierarchy.

Green Room Retail Acquisition

During the year ended June 30, 2020 pursuant to the Green Room Retail Acquisition as described in Note 5, the Company acquired one municipal development permit and recognized \$200,000 in intangible assets.

No amortization has been taken during for the period ended September 30, 2020 and 2019 as the development permits and retail licenses ("Store Permits") are considered to have an indefinite life. Management used a combination of market values and cost-based measurements to estimate fair value for the permits of \$200,000 (2019 - \$Nil) in accordance with Level 3 of the fair value hierarchy.

CHOOM HOLDINGS INC.
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
(Unaudited, expressed in Canadian Dollars)
13. INTANGIBLE ASSETS AND GOODWILL (cont'd)**Patient Lists**

Subsequent to the three months ended September 30, 2020, through a divestiture for a nominal amount, the Company disposed of the Medical Clinic assets, including the Patient List. As these intangible assets are in use, amortization for the three months ended September 30, 2020 was \$1,675 (September 30, 2019 - \$1,675). Impairment of \$51,925 has been recognized in the income statement for the three months ended September 30, 2020 (September 30, 2019 - \$Nil).

Intellectual Property*Phivida Transaction*

During the period ended September 30, 2020, the Company acquired \$4,776,257 in intellectual property as part of the Phivida Transaction (Note 5). The intellectual property relates to the development of Phivida's proprietary e-commerce technology platforms which will be re-purposed and integrated with the Company. No amortization has been taken as the proprietary technology is considered to have an indefinite life.

Website

For the year ended June 30, 2020, the Company recorded an impairment of \$713,000 (2019 - \$Nil) in connection with website and intellectual property acquired in 2018 that was not integrated into the Company's systems.

No amortization has been taken during the year ended September 30, 2020 as the website are considered to have an indefinite life.

Trademarks

During the period ended September 30, 2020, the Company recorded \$3,596 in additions (September 30, 2019 - \$5,134) for development of Choom's trademarks.

No amortization has been taken during the period ended September 30, 2020 and 2019 as the trademarks are considered to have an indefinite life.

Goodwill	Medical Centre	Niagara Store	Total
Balance June 30, 2019	\$ 973,050	\$ -	\$ 973,050
Additions on acquisition	-	2,181,521	-
Balance at June 30, 2020	\$ 973,050	\$ 2,181,521	\$ 3,154,571
Impairment	(973,050)	-	(973,050)
Balance September 30, 2020	\$ -	\$ 2,181,521	\$ 2,181,521

The Company recognized goodwill of \$973,050 in connection with the acquisition of the Medical Centre. All goodwill was allocated to Medical Centre. Subsequent to September 30, 2020, the Medical Centre assets were sold for a nominal amount (Note 30). The Company recorded impairment of \$973,050 against goodwill for the three months ended September 30, 2020 (September 30, 2019 - \$Nil).

The Company recognized goodwill of \$2,181,521 in connection with the acquisition of the Niagara Store, as described in Note 5. All goodwill was allocated to Niagara Store.

The carrying amount of goodwill has been tested for impairment annually, and whenever there have been events or changes in circumstances which indicated that the carrying amount may not be recoverable. Goodwill impairment testing compares the recoverable amount of the CGU to its carrying amount, with any deficiency recognized as goodwill impairment. Impairment losses relating to goodwill cannot be reversed in future periods.

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(Unaudited, expressed in Canadian Dollars)

14. RIGHT OF USE ASSETS AND LEASE LIABILITIES**Right of Use Assets**

Balance at June 30, 2019	\$	-
Recognition upon adoption of IFRS 16		1,563,935
Additions		2,800,250
Initial direct costs		415,561
Acquired on acquisition		5,138,737
Depreciation		(1,290,066)
Terminations		(532,102)
Balance at June 30, 2020	\$	8,096,315
Additions		2,014,507
Depreciation		(489,171)
Terminations		-
Balance at September, 2020	\$	9,621,651

Lease Liability

Balance at June 30, 2019	\$	-
Recognition upon adoption of IFRS 16		1,563,935
Additions		2,800,250
Acquired on acquisition		5,138,737
Lease interest expense		620,945
Payments		(1,687,445)
Terminations		(496,685)
Balance at June 30, 2020	\$	7,939,737
Additions		2,014,507
Lease interest expense		227,699
Payments		(580,800)
Terminations		-
Balance at June 30, 2020	\$	9,601,143
Short-term portion	\$	1,498,073
Long-term portion		8,103,070
Total	\$	9,601,143

Amortization of the right of use asset is calculated over the term of the lease. Interest expense of \$227,699 (September 30, 2020 - \$23,358) is included in financing costs and payments are applied against the lease liability.

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(Unaudited, expressed in Canadian Dollars)

15. TRADE AND OTHER PAYABLES

	Note	September 30 2020	June 30 2020
Trade payables		\$ 2,470,201	\$ 1,976,852
Sales tax payable		192,432	212,155
Interest payable on convertible debenture & notes	17	1,278,741	1,695,324
Due to related parties	21	24,675	98,408
Total		\$ 3,966,049	\$ 3,982,739

16. NOTES PAYABLE

In June 2020, the Company entered into a promissory note agreement with an arms-length individual, for proceeds of \$900,000. The note payable is due June 4, 2021, unsecured and bears interest at 15% per annum. As at September 30, 2020, \$43,544 is included in accounts payable (June 30, 2020 - \$9,616) and \$34,027 has been recognized as interest in Financing costs (September 30, 2019 - \$Nil).

In June 2020, the Company entered a promissory note agreement with an arms-length company, as consideration for a purchase of a lease assignment. The total consideration paid was \$365,000, of which \$210,000 was a note payable. The consideration was included as an addition to right of use assets (Note 14). The Company is required to make monthly payments of \$17,500 beginning on June 1, 2020. As at September 30, 2020, the remaining balance of the note was \$140,000 (June 30, 2020 - \$192,500). The note payable is unsecured and bears interest at 15% per annum.

17. CONVERTIBLE DEBENTURES**December 2019 Financing**

On December 23, 2019, the Company completed a non-brokered private placement of debenture units at \$250,000 per unit for gross proceeds of \$4,100,000 (the "December 2019 Debentures").

The December 2019 Debentures will mature on December 23, 2021, subject to the rights of a holder to extend the term up to a further 12 months and will accrue interest at the rate of 10% per annum, payable semi-annually. At a holder's option, the December 2019 Debentures may be converted into common shares of Choom at a conversion price of \$0.15 per share. Under the Offering, the Company also issued 1,666,666 transferable common share purchase warrants per debenture unit for an aggregate 27,333,330, each such warrant to be exercisable to acquire one common share for a four-year period at an exercise price of \$0.20 per share.

The December 2019 Debentures are secured by certain property of the Company, and rank pari passu in right of payment of principal and interest and may be redeemed by the Company on certain conditions. The maximum amount of principal secured may be increased with the consent of the December 2019 Debenture holders representing the majority of the outstanding principal.

The Company determined the conversion feature and warrants components of the December 2019 Debentures meet the definition of equity instruments as the Company is obligated to issue a fixed number of shares for a fixed price. The Company used the residual value method to allocate the principal amount of the December 2019 Debenture between the liability and equity components. The Company valued the debt component of the December 2019 Debenture by calculating the present value of principal and interest payments, discounted at a rate of 18.5% which represents management's best estimate of the rate that a non-convertible secured debenture with similar terms and risk would earn.

As at September 30, 2020, interest in connection with the December 2019 Debentures of \$103,242 (June 30, 2020 - \$214,051) is included in trade and other payables.

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(Unaudited, expressed in Canadian Dollars)

17. CONVERTIBLE DEBENTURES (cont'd)**Aurora**

On November 2, 2018, the Company completed a non-brokered private placement of a debenture (the "Aurora Debenture") in the principal amount of \$20,000,000 in Choom with Aurora Cannabis Inc. ("Aurora"), convertible into common shares of Choom at a conversion price of \$1.25 per share and will mature on November 2, 2022.

Aurora has also secured the right to acquire up to 40% of the Company at \$2.75 per common share through the issuance of warrants described below.

The Aurora Debenture is non-transferrable and bears an annual interest rate of 6.5% calculated semi-annually, payable annually in arrears on the anniversary date. Aurora may elect to receive interest payments in common shares in lieu of cash at a price per common share equal to the VWAP of the common shares for the 20 trading days ending prior to the date on which such interest payment is due.

In connection with the Aurora Debenture, the Company also issued to Aurora, for no additional consideration, 95,760,367 common share purchase warrants at an exercise price of \$2.75, subject to adjustments in accordance with the terms thereof, to allow Aurora to increase its pro rata equity interest in Choom to approximately 40% expiring on November 2, 2020. Additionally, the Company issued 703,881 pro-rata warrants to Aurora at an exercise price of \$1.25 expiring on November 2, 2020.

The Company determined the conversion feature, warrants and pro-rata warrants components of the Aurora Debenture meet the definition of equity instruments as the Company is obligated to issue a fixed number of shares for a fixed price. The Company used the residual value method to allocate the principal amount of the Aurora Debenture between the liability and equity components. The Company valued the debt component of the Aurora Debenture by calculating the present value of principal and interest payments, discounted at a rate of 21.9% which represents managements best estimate of the rate that a non-convertible debenture with similar terms and risk would earn.

On June 24, 2020, the parties amended the terms of the Aurora Debenture (the "Amended and Restated Aurora Debenture") wherein Choom, among other things granted to Aurora a second ranking security interest over all of its present and after-acquired property of Choom. The security interest is governed in accordance with the terms and conditions of a security agreement between Choom and Aurora dated June 24, 2020. Among other amendments, the Amended and Restated Aurora Debenture includes amendments reflecting (i) a 90-day exclusivity period during which the Aurora has agreed not to sell, transfer or assign its indebtedness to any third party, (ii) a right of first refusal in favour of Choom in respect of any future proposed sale, transfer or assignment of the indebtedness by Aurora, and (iii) a reduction of the conversion price of the debenture from \$1.25 to \$0.65 per share.

The Amended and Restated Aurora Debenture is, as at September 30, 2020, a secured convertible debenture maturing on November 2, 2022 (the "Maturity Date"), convertible into common shares: (i) at the option of Aurora, any time prior to the Maturity Date at a conversion price of \$0.65 per common share, subject to a minimum conversion amount of \$5,000,000, and (ii) at the option of Choom any time after the hold period has expired and the volume weighted average trading price ("VWAP") of the common shares is \$3.00 or more for a period of 10 consecutive trading days.

Interest due on November 2, 2019 in the amount of \$1,354,173 was settled pursuant to the Amended and Restated Aurora Debenture in two instalments of \$677,086 on June 24, 2020 and \$677,087 on July 24, 2020. As at September 30, 2020, interest in connection with the Aurora Debenture of \$1,131,855 (2019 - \$1,481,273) is included in trade and other payables.

In accordance with IFRS 9, the Company determined that the changes within the Amended and Restated Aurora Debenture is not significant enough to be considered an extinguishment of the initial convertible debenture, and as such, has been accounted for as a modification of financial liability. The cash flows under the Amended and Restated Aurora Debenture was rediscounted at the original effective interest rate on the modification date, and as a result, a gain of modification of debt of \$83,747 was recorded on the consolidated statements of loss and comprehensive loss for the year ended June 30, 2020.

The following table summarizes the accounting for the convertible debentures and the amounts recognized in respect of the liability and equity components for the three months ended September 30th and the year ended June 30, 2020 as follows: and 2019 is as follows:

CHOOM HOLDINGS INC.
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
(Unaudited, expressed in Canadian Dollars)
17. CONVERTIBLE DEBENTURES (cont'd)

	Liability Portion	Equity Portion
Balance at June 30, 2019	\$ 12,680,128	\$ 5,419,751
Issuance of the convertible debenture	3,597,900	502,100
Transaction Costs	(156,390)	(16,001)
Gain on modification of debt	(83,747)	-
Accretion expense	1,569,021	-
Deferred income tax recovery	-	(166,524)
Balance at June 30, 2020	\$ 17,606,912	\$ 5,739,326
Accretion expense	387,247	-
Balance at September 30, 2020	\$ 17,994,159	\$ 5,739,326

As at September 30, 2020, accretion and interest of \$837,932 (September 30, 2019 - \$646,264) is recorded as financing costs in the consolidated statements of loss and comprehensive loss.

18. SHARE CAPITAL AND RESERVES**a) Common Shares**

The Company's authorized share capital is an unlimited number of common shares with no par value.

The following is a summary of changes in share capital from July 1, 2019 to September 30, 2020:

	Number	Issue Price	Total
Balance at June 30, 2019	191,666,813	-	\$ 115,673,380
Issued shares pursuant to Share Commitments	1,124,127	\$1.03	1,157,850
Issued for private placement	2,500,000	\$0.40	1,000,000
Residual value allocated for warrants	-	-	(62,500)
Issued compensation shares	60,000	\$0.43	25,800
Issued for Clarity acquisition	6,103,608	\$0.22	1,342,794
Issued for Green Room acquisition	1,860,226	\$0.17	316,238
Issued for Niagara acquisition	22,126,066	\$0.09	2,000,000
Issued shares for debt	303,030	\$0.155	46,970
Issued shares for debt	10,000	\$0.090	900
Share issue costs	-	-	(41,141)
Balance at June 30, 2020	225,753,870	-	\$ 121,460,291
Issued for Phivida Transaction	64,608,187	\$ 0.10	6,460,819
Issued shares for transaction	3,126,025	\$ 0.10	312,603
Issued shares for transaction	1,111,111	\$ 0.09	100,000
Share issue costs	-	-	(5,382)
Balance at September 30, 2020	294,599,193	\$	128,328,331

During the three months ended September 30, 2020, the Company issued the following:

The Company issued 64,608,187 common shares pursuant to the Phivida Transaction as described in Note 5 on September 16, 2020.

On September 16, 2020, the Company settled trade payables of \$258,470 through the issuance of 3,126,025 common shares. The common shares were valued at \$312,603 as determined by the market price when issued being \$0.10 per share, resulting in a loss of \$54,132 on settlement of debt.

On September 29, the Company settled employment severance through the issuance of 1,111,111 common shares. The common shares were valued at \$100,000 as determined by the market price when issued being \$0.09 per share.

CHOOM HOLDINGS INC.
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
(Unaudited, expressed in Canadian Dollars)
18. SHARE CAPITAL AND RESERVES (cont'd)**a) Common Shares (cont'd)**

In connection with these share issuances, the Company incurred \$5,382 of share issuance costs that is recorded as a reduction against share capital.

b) Share Purchase Warrants

The following is a summary of changes in share purchase warrants from July 1, 2019 to September 30, 2020:

	Number	Weighted Average Price
Balance at June 30, 2019	99,866,748	\$2.69
Expired	(900,000)	\$0.75
Issued	28,583,330	\$0.22
Balance at June 30, 2020	127,550,078	\$2.13
Expired	2,352,500	\$0.75
Issued	-	\$0.00
Balance at September 30, 2020	125,197,578	\$2.16

As at September 30, 2020, the share purchase warrants have a weighted average remaining contractual life of 0.78 years (June 30, 2020 – 1.02) years. Each warrant entitles the holders thereof the right to purchase one common share as follows:

Number	Price Per Share	Expiry Date
150,000	\$0.42	18-Jan-24
95,760,367	\$2.75	2-Nov-20
703,881	\$1.25	2-Nov-20
1,250,000	\$0.60	20-Mar-21
27,333,330	\$0.20	23-Dec-23
125,197,578		

c) Escrow Shares

As at September 30, 2020, there were 28,870,072 (2019 – 14,382,780) common shares held in escrow as follows:

- i) 1,875,000 common shares (June 30, 2020 – 1,875,000) held in escrow in connection with the Medi-can Acquisition. Every six months, 1,875,000 common shares are released from escrow;
- ii) 172,500 common shares (June 30, 2020 – 172,500) held in escrow in connection with the purchase of intangible assets. Every six months 86,250 are released from escrow;
- iii) 1,000,000 common shares (June 30, 2020 – 3,000,000) held in escrow in connection with the Clarity Option as described in Note 5. Every six months 1,000,000 shares are released from escrow;
- iv) 766,394 common shares (June 30, 2020 – 766,394) held in escrow in connection the Medical Clinic acquisition as described in Note 5. Every six months 383,193 shares are released from escrow; and
- v) 930,112 common shares (June 30, 2020 – 930,112) held in escrow in connection with the Green Room Retail Acquisition. Every six month 465,057 shares are released from escrow.
- vi) 19,913,459 common shares (June 30, 2020 – 21,126,066) held in escrow in in connection with the Niagara acquisition as described in Note 5. These shares held in escrow are released as follows: 10% four months after closing of the Niagara acquisition, 10% on December 31, 2020, and the balance 12 months after closing of the Niagara acquisition.

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(Unaudited, expressed in Canadian Dollars)

19. SHARE-BASED PAYMENTS**a) Option Plan Details**

The Company adopted a stock option plan (the "Plan") to grant options to directors, senior officers, employees and consultants of the Company. The aggregate outstanding options are limited to 10% of the outstanding common shares. The option exercise price under each option shall be not less than the Discounted Market Price as defined in the policies of the Exchange on the Grant Date.

The following is a summary of changes in options from July 1, 2020 to September 30, 2020:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Cancelled/ Expired	Closing Balance	Vested and Exercisable	Unvested
16-Nov-17	16-Nov-22	\$0.17	2,900,000	-	-	-	2,900,000	2,900,000	-
27-Feb-18	27-Feb-23	\$0.75	100,000	-	-	-	100,000	100,000	-
13-Apr-18	13-Apr-23	\$0.91	110,000	-	-	-	110,000	110,000	-
15-Jun-18	15-Jun-23	\$0.35	1,000,000	-	-	-	1,000,000	1,000,000	-
07-Nov-18	07-Nov-20	\$0.91	100,000	-	-	-	100,000	100,000	-
10-Dec-18	10-Dec-23	\$0.465	200,000	-	-	-	200,000	200,000	-
11-Mar-19	11-Mar-24	\$0.69	75,000	-	-	-	75,000	75,000	-
4-Nov-19	4-Nov-24	\$0.235	200,000	-	-	-	200,000	80,000	120,000
30-Dec-19	30-Dec-24	\$0.165	8,755,000	-	-	-	8,755,000	2,735,250	6,019,750
18-Feb-20	18-Feb-25	\$0.145	300,000	-	-	-	300,000	90,000	210,000
16-Sep-20	23-Nov-20	\$0.145		145,132	-	-	145,132	145,132	-
16-Sep-20	23-Nov-20	\$0.290		72,566	-	-	72,566	72,566	-
16-Sep-20	23-Nov-20	\$0.849		725,660	-	-	725,660	725,660	-
16-Sep-20	23-Nov-20	\$0.145		798,226	-	-	798,226	798,226	-
16-Sep-20	18-Dec-22	\$0.290		816,368	-	-	816,368	816,368	-
16-Sep-20	26-Jan-23	\$0.065		781,780	-	-	781,780	781,780	-
16-Sep-20	5-Feb-23	\$0.856		507,962	-	-	507,962	507,962	-
16-Sep-20	19-Feb-23	\$0.849		18,142	-	-	18,142	18,142	-
16-Sep-20	28-Feb-23	\$0.805		18,142	-	-	18,142	18,142	-
16-Sep-20	30-Apr-23	\$0.668		507,962	-	-	507,962	507,962	-
16-Sep-20	6-Jun-23	\$0.639		362,830	-	-	362,830	362,830	-
16-Sep-20	5-Jul-23	\$0.544		326,547	-	-	326,547	326,547	-
16-Sep-20	31-Jul-23	\$0.602		72,566	-	-	72,566	72,566	-
16-Sep-20	2-Aug-23	\$0.581		72,566	-	-	72,566	72,566	-
16-Sep-20	17-Aug-23	\$0.602		18,142	-	-	18,142	18,142	-
16-Sep-20	20-Aug-23	\$0.617		90,708	-	-	90,708	90,708	-
16-Sep-20	9-Sep-23	\$0.900		72,566	-	-	72,566	72,566	-
16-Sep-20	4-Oct-23	\$0.718		108,849	-	-	108,849	108,849	-
16-Sep-20	15-Oct-23	\$0.065		86,864	-	-	86,864	86,864	-
16-Sep-20	17-Oct-23	\$0.617		362,830	-	-	362,830	362,830	-
16-Sep-20	20-Dec-23	\$0.435		145,132	-	-	145,132	145,132	-
16-Sep-20	8-Feb-24	\$0.065		41,021	-	-	41,021	41,021	-
16-Sep-20	24-Apr-24	\$0.624		55,433	-	-	55,433	55,433	-
16-Sep-20	14-May-24	\$0.080		770,764	-	-	770,764	770,764	770,764
16-Sep-20	28-May-24	\$0.406		725,660	-	-	725,660	725,660	80,629
16-Sep-20	12-Jun-24	\$0.080		104,856	-	-	104,856	104,856	104,856
16-Sep-20	17-Jun-24	\$0.308		72,566	-	-	72,566	72,566	-
			13,740,000	7,881,837	-	-	21,621,837	15,272,087	7,305,999
Weighted Average Share Price			\$0.64	\$0.42	-	-	\$0.28	\$0.33	\$0.16
Weighted Average Life Remaining (years)			3.45	2.52	-	-	3.38	2.91	3.78

Replacement Options granted are part of the Phivida Transaction (Note 5).

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(Unaudited, expressed in Canadian Dollars)

19. SHARE-BASED PAYMENTS (cont'd)**a) Option Plan Details (cont'd)**

The following is a summary of changes in options from July 1, 2019 to June 30, 2020:

Grant Date	Expiry Date	Exercise Price	Opening Balance	Granted	Exercised	Cancelled/ Expired	Closing Balance	Vested and Exercisable	Unvested
16-Nov-17	16-Nov-22	\$0.17	2,900,000	-	-	-	2,900,000	2,900,000	-
27-Feb-18	27-Feb-23	\$0.75	600,000	-	-	-500,000	100,000	100,000	-
19-Mar-18	19-Mar-23	\$1.06	500,000	-	-	-500,000	-	-	-
11-Apr-18	11-Apr-23	\$0.84	50,000	-	-	-50,000	-	-	-
13-Apr-18	13-Apr-23	\$0.91	110,000	-	-	-	110,000	110,000	-
10-May-18	10-May-23	\$0.84	100,000	-	-	-100,000	-	-	-
15-Jun-18	15-Jun-23	\$0.35	1,000,000	-	-	-	1,000,000	1,000,000	-
19-Jun-18	19-Jun-23	\$1.26	700,000	-	-	-700,000	-	-	-
20-Jun-18	20-Jun-23	\$1.41	250,000	-	-	-250,000	-	-	-
01-Aug-18	01-Aug-23	\$1.28	250,000	-	-	-250,000	-	-	-
17-Aug-18	17-Aug-23	\$1.07	100,000	-	-	-100,000	-	-	-
07-Nov-18	07-Nov-23	\$0.91	1,560,000	-	-	-1,460,000	100,000	100,000	-
10-Dec-18	10-Dec-23	\$0.47	200,000	-	-	-	200,000	200,000	-
11-Mar-19	11-Mar-24	\$0.69	1,085,000	-	-	-1,010,000	75,000	75,000	-
15-Mar-19	15-Mar-24	\$0.69	100,000	-	-	-100,000	-	-	-
26-Aug-19	26-Aug-24	\$0.41	-	5,000,000	-	-5,000,000	-	-	-
10-Sep-19	10-Sep-24	\$0.43	-	300,000	-	-300,000	-	-	-
07-Oct-19	07-Oct-24	\$0.32	-	300,000	-	-300,000	-	-	-
04-Nov-19	04-Nov-24	\$0.24	-	200,000	-	-	200,000	40,000	160,000
30-Dec-19	30-Dec-24	\$0.17	-	9,242,500	-	-487,500	8,755,000	3,697,000	5,058,000
18-Feb-20	18-Feb-25	\$0.15	-	300,000	-	-	300,000	120,000	180,000
			9,505,000	15,342,500	-	-11,107,500	13,740,000	8,342,000	5,398,000
Weighted Average Share Price			\$0.64	\$0.25	-	\$0.64	\$0.20	\$0.23	\$0.17
Weighted Average Life Remaining (years)			3.45	4.38	-	-	3.89	3.49	4.5

b) Fair Value of Options Issued During the Period

During the period ended September 30, 2020, the weighted average fair value at grant date of options granted was \$0.42 (June 30, 2020 - \$0.25) per option. During the period ended September 30, 2020, there were 7,881,837 options granted (June 30, 2020 - 15,342,500). As at September 30, 2020, 21,621,837 (June 30, 2020 - 13,740,000) options were outstanding of which 15,272,087 (June 30, 2020 - 8,342,000) were exercisable under the Plan with a weighted average contractual life of 2.91 years.

CHOOM HOLDINGS INC.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Unaudited, expressed in Canadian Dollars)
19. SHARE-BASED PAYMENTS (cont'd)**c) Expenses Arising from Share-based Payment Transactions**

The model inputs for options granted or vested during the period ended September 30, 2020 and 2019 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free-Interest Rate	Expected Life	Volatility Factor	Dividend Yield
26-Aug-19	26-Aug-24	\$ 0.385	\$ 0.41	1.17%	5	144.00%	0%
10-Sep-19	10-Sep-24	\$ 0.430	\$ 0.43	2.25%	5	147.48%	0%

The risk-free rate of periods within the expected life of the stock option is based on the Canadian government bond rate. The forfeiture rate assumption is based on historical results, which is estimated to be nil, and the annualized volatility is based on the Company's historical share prices.

The total fair value of options issued and vested during the period ended September 30, 2020 was \$Nil (2019 - \$1,898,441) of which \$118,762 (2019 - \$345,009) has been recorded as a share-based payment expense in the consolidated statements of loss and comprehensive loss with a corresponding increase in contributed surplus. The remaining amount of \$528,284 (2019 - \$1,553,433) will be expensed as the remaining unvested options vest.

20. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	Three Months Ended September 30	
		2020	2019
Accounting and legal		\$ 181,128	304,985
Business licenses and permits		10,481	-
Conferences		1,894	16,136
Consulting	21	213,200	698,884
Insurance		123,780	33,021
Interest and service charges		76,929	-
Office and administration fees		123,904	83,118
Property taxes		11,282	-
Realtor commissions and fees		22,807	111,753
Regulatory fees		3,750	4,586
Rent, utilities & security, net of rent received		132,148	119,582
Shareholder communications		4,187	44,418
Transfer agent fees		423	2,300
Travel		26,268	48,096
Terminated leases		31,199	197,131
Total administrative and general expenses		\$ 963,380	1,664,010

CHOOM HOLDINGS INC.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Unaudited, expressed in Canadian Dollars)

21. KEY MANAGEMENT AND PERSONNEL COMPENSATION

Compensation for key management and personnel, including Company officers, directors, and private companies controlled by officers and directors, was as follows:

	September 30 2020	September 30 2019
Key management personnel compensation comprised:	\$	
Consulting fees	102,200	\$ 95,998
Administration	37,548	\$ 34,495
Wages	45,377	30,682
Share based payments	82,999	108,987
	\$ 268,124	\$ 270,162

Included in trade and other payables are amounts due to officers, directors and former officers, directors and related parties for fees and expenses of \$24,675 (June 30, 2020 – \$98,408) (Note 15).

22. LOSS PER SHARE

	September 30 2020	September 30 2019
Loss from continuing operations attributable to ordinary shareholders	\$ (2,953,614)	\$ (2,954,159)
Weighted average number of common shares	211,353,457	192,294,731
Basic and diluted loss per share from continuing operations	\$ (0.01)	\$ (0.02)
Loss from discontinued operations attributable to ordinary shareholders	\$ (25,526)	\$ (25,440)
Weighted average number of common shares	211,353,457	192,294,731
Basic and diluted loss per share from discontinued operations	\$ (0.00)	\$ (0.00)

23. DISCONTINUED OPERATIONS

During the prior year ended June 30, 2019, management changed the Company's strategic plan to focus on becoming a retail cannabis applicant and developing a network of retail cannabis stores. Accordingly, the Company made the decision not to pursue the cultivation sector of the cannabis industry. As a result, the Company divested and sold its 90.2% interest in Sitka Weedworks Inc. ("SMP") to the original key shareholders during the year ended June 30, 2019.

Medi-Can and IGC were in the business of cultivating and selling marijuana for medical purposes and related products under the ACMPR that the Company acquired during the year ended June 30, 2018. With the change in the Company's strategic plan, the cultivation licenses were fully impaired during the year ended June 30, 2019.

Sitka Weedworks Inc.

The Company, via its wholly owned subsidiary, Arbutus, acquired Sitka Weedworks Inc. (formerly Specialty MediJuana Products) by way of a share exchange agreement during the year ended June 30, 2018. On October 17, 2018, SMP received its cultivation license from Health Canada. Accordingly, management estimated the fair value of the Choom Share Commitments owed to the selling shareholders of SMP based market share price of \$1.03 to be \$41,167,957 being the share price on the date the cultivation license was granted and recorded it as an addition to the Arbutus intangible asset.

On December 10, 2018, the Company entered into a share purchase agreement with the original key shareholders of SMP whereby Arbutus divested 90.2% of its interest in SMP in exchange for the cancellation of 37,970,445 Share Commitments (the "SMP Divestiture"). Choom completed the SMP Divestiture resulting in Choom indirectly holding an indirect 9.8% interest in SMP through Arbutus.

During the year ended June 30, 2019, the SMP Divestiture resulted in a loss from the sale of \$78,789,971 representing the elimination of assets and liabilities in SMP and impairment of intangible assets.

As at September 30, 2020, 749,416 (June 30, 2020 – 749,416) Choom Share Commitments remained outstanding at an aggregate value of \$771,900 (2019 - \$1,929,750) as determined by the market price of \$1.03 on October 17, 2018.

CHOOM HOLDINGS INC.
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**
(Unaudited, expressed in Canadian Dollars)
23. DISCONTINUED OPERATIONS (cont'd)*Sitka Weedworks Inc. (cont'd)*

The Company has recorded \$1,732,665 (June 30, 2020 - \$1,732,665) as long-term investments representing the 9.8% interest in SMP. As at September 30, 2020 the Company advanced a total of \$172,282 (2019 - \$172,282) in loans for the development of facilities which are recorded as loan receivable. The loan has no stated terms of repayment and is callable only if all shareholders of SMP agree to call on the loan. The Company does not expect repayment within 12 months and has classified this loan as a long-term receivable accordingly.

Outstanding advances from shareholders acquired in connection with the SMP transactions remain outstanding at September 30, 2020 of \$4,000 (2019 - \$4,000).

The results of the operations of SMP, Medi-Can and IGC are presented as discontinued operations for the three months ended September 30, 2020 and 2019 are as follows:

	Three Months Ended September 30	
	2020	2019
General and administrative costs	\$	
Consulting fees	-	2,250
Security and utilities	3,299	-
Professional fees	-	963
Rent	22,227	22,227
Total loss for the period	(25,526)	(25,440)

Cash flows from discontinued operations for the years ended September 30, 2020 and 2019 are as follows:

	Three Months Ended September 30	
	2020	2019
Operating activities:	\$	
Net loss from discontinued operations	(25,526)	(25,440)
Changes in non-cash working capital items:		
Prepaid expense	22,227	22,227
Net cash used in discontinued operations	(3,299)	(3,213)

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(Unaudited, expressed in Canadian Dollars)

24. SEGMENT REPORTING

The Company, as at September 30, 2020 had two reportable operating segments which included patient counselling with the acquisition of the Medical Centre and the sale of retail cannabis including the Clarity Retail Opportunities and Niagara Store acquisition as described in Note 5. The Company's non-current assets as at September 30, 2020 and 2019 are all in Canada.

Operating segments are components of the Company that engage in business activities from which they earn revenues and incur expenses and can be clearly distinguished. As the Company continues to expand organically and through acquisition the segmented information will expand. Business segments are regularly reviewed by senior management for the purpose of allocating resources and performance assessment.

	Three Months Ended September 30 2020				Total
	Retail Cannabis	Patient Counselling	Cannabis Cultivation	Corporate	
Revenue					
Recreational - Retail	5,985,415	-	-	-	5,985,415
Clinic services	-	135,823	-	-	135,823
Total Revenue	5,985,415	135,823	-	-	6,121,238
Cost of sales					
Recreational - Retail	(3,863,339)	-	-	-	(3,863,339)
Doctor and coaching fees	-	(34,292)	-	-	(34,292)
Medical supplies	-	-	-	-	-
Gross Profit	2,122,076	101,531	-	-	2,223,607
Expenses					
Administrative and general	234,382	47,880	-	681,118	963,380
Salary, wages, benefits	600,767	48,200	-	467,560	1,116,527
Depreciation and amortization	516,045	13,777	-	60,974	590,796
Foreign exchange	-	-	-	(16)	(16)
Marketing, website and media design	9,271	-	-	89,077	98,348
Application and termination of agreements costs	-	-	-	-	-
Share-based payments	-	-	-	118,762	118,762
	(1,360,464)	(109,857)	-	(1,417,474)	(2,887,797)
Loss before other items	761,611	(8,326)	-	(1,417,474)	(664,190)
Other items					
Interest income	-	-	-	436	436
Licensing income	-	-	-	-	-
Rental income	8,019	-	-	1,644	9,663
Other income	-	-	-	19,235	19,235
Gain on sale of property and equipment	-	-	-	2,342	2,342
Fair value loss on marketable securities	-	-	-	(300)	(300)
Loss on write-off of note receivable	-	-	-	-	-
Impairment on intangible assets	-	(1,024,975)	-	-	(1,024,975)
Impairment of property and equipment	(115,435)	-	-	0	(115,435)
Termination of agreement costs	-	-	-	(50,000)	(50,000)
Loss on settlement of debt	-	-	-	(54,132)	(54,132)
Financing costs	(217,053)	(3,520)	-	(841,994)	(1,062,567)
Other expenses	(364)	-	-	(13,327)	(13,691)
	(324,834)	(1,028,495)	-	(936,095)	(2,289,424)
Net income/(loss) from continuing operations	436,777	(1,036,821)	-	(2,353,570)	(2,953,614)
Net loss from discontinued operations	-	-	(25,526)	-	(25,526)
Net income/(loss) for the period	436,777	(1,036,821)	(25,526)	(2,353,570)	(2,979,140)
Assets	14,753,765	258,236	-	23,696,103	38,708,104
Liabilities	(12,960,170)	(312,292)	-	(20,708,570)	(33,981,032)

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(Unaudited, expressed in Canadian Dollars)

25. SEGMENT REPORTING (cont'd)

Operating Segments	Three Months Ended September 30 2019				Total
	Retail Cannabis	Patient Counselling	Cannabis Cultivation	Corporate	
Revenue					
Clinic services	-	188,540	-	-	188,540
Total Revenue	-	188,540	-	-	188,540
Cost of sales					
Doctor and coaching fees	-	(61,464)	-	-	(61,464)
Medical supplies	-	(3,419)	-	-	(3,419)
Gross Profit	-	123,657	-	-	123,657
Expenses					
Wages, general and administration	-	222,984	-	1,862,538	2,085,522
Amortization	-	-	-	211,702	211,702
Foreign exchange	-	-	-	4,332	4,332
Property taxes	-	-	-	-	-
Application and termination of agreements costs	-	-	-	51,867	51,867
Share-based payments	-	-	-	345,009	345,009
	-	(222,984)	-	(2,475,448)	(2,698,432)
Loss before other items	-	(99,327)	-	(2,475,448)	(2,574,775)
Other items					
Interest income	-	-	-	116,289	116,289
Licensing income	-	-	-	50,000	50,000
Rental income	-	-	-	127,952	127,952
Decrease in fair value of marketable securities	-	-	-	(100)	(100)
Loss on write off of note receivable	-	-	-	(3,904)	(3,904)
Financing costs	-	-	-	(669,622)	(669,622)
	-	-	-	(379,385)	(379,385)
Net loss from continuing operations	-	(99,327)	-	(2,854,832)	(2,954,159)
Net loss from discontinued operations	-	-	(25,440)	-	(25,440)
Net Loss for the period	-	(99,327)	(25,440)	(2,854,832)	(2,979,599)
Assets	-	312,252	-	29,654,549	29,966,801
Liabilities	-	(54,503)	-	(16,955,459)	(17,009,962)

26. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. During the period ended September 30, 2020 and 2019 the following transactions were excluded from the statements of cash flows:

- The \$500,000 Bridge Financing Loan received July 23, 2020 as part of the Phivida Transaction (Note 5) is eliminated upon consolidation;
- On September 16, 2020, the Company settled trade payables of \$258,470 through the issuance of 3,126,025 common shares. The common shares were valued at \$312,603 as determined by the market price when issued being \$0.10 per share, resulting in a loss of \$54,132 on settlement of debt (Note 18);
- On September 29, 2020 the Company settled employment severance through the issuance of 1,111,111 common shares. The common shares were valued at \$100,000 as determined by the market price when issued being \$0.09 per share (Note 18);
- A compensation charge of \$Nil (2019 - \$25,800) associated with the issuance of 60,000 (2019 - 100,000) common shares was recorded as consulting fees (Note 18);
- During the period ended September 30, 2020, the Company recorded a \$300 fair value loss (2019 - \$100 fair value loss) of marketable securities (Note 10);
- During the three months ended September 30, 2020, the Company completed the sale of certain buildings that were recognized as assets held for sale as at June 30, 2020. A gain of \$2,342 was recognized for the three months ended September 30, 2020 (2019 - \$Nil) (Note 12);
- During the three months ended September 30, 2020, the Company paid income taxes of \$Nil (September 2019 - \$Nil);
- During the period ended September 30, 2020, the Company paid interest of \$881,524 (2019 - \$Nil) (Note 17).

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(Unaudited, expressed in Canadian Dollars)

27. COMMITMENTS**Leases**

The Company has entered into arrangements for office, clinic and retail spaces. Cash commitments for minimum lease payments in relation to these commitments are payable as follows:

	September 30 2020	June 30 2020
Not later than 1 year	\$ 2,426,378	\$ 2,178,097
Later than 1 year and not later than 5 years	6,252,379	6,351,983
Later than 5 years and not later than 10 years	3,418,031	2,767,459
	\$ 12,096,788	\$ 11,297,539

As at September 30, 2020, the Company has \$681,091 (June 30, 2020 - \$574,310) in lease deposits of which \$245,665 (June 30, 2020 - \$211,852) is classified as current and \$435,426 (June 30, 2020 - \$362,458) is classified as non-current. The Company has prepaid expenses of \$429,847 (June 30, 2020 - \$435,375) of which \$429,847 (June 30, 2020 - \$257,559) is classified as current and \$Nil (June 30, 2020 - \$177,816) is classified as non-current.

ABcann Medicinals Inc.

Choom entered into a term sheet agreement with ABcann Medicinals Inc. ("ABcann") dated March 16, 2018, whereby ABcann, a Licensed Producer, agreed to supply Choom with premium cannabis products subject to regulatory approval (the "ABcann Term Sheet"). The obligations of the parties under the ABcann Term Sheet with respect to the purchase and sale of cannabis products will only arise upon a mutually agreed upon launch date that is dependent on receiving required regulatory approval. Subsequent to the date of the ABcann Term Sheet, the enactment and promulgation of applicable provincial regulatory regimes governing the distribution and sale of cannabis have frustrated the implementation of the ABcann Term Sheet.

Coastal Green

On July 23, 2019, a \$300,000 convertible debenture was issued to Choom by Coastal Green Holdings Ltd. (the "Coastal Green Note"). The Coastal Green Note carries interest at 6% per annum. Choom will, on conversion of the debenture, acquire a 19.9% equity interest in Coastal Green. Coastal Green must complete certain expenditures prior to Choom advancing any funds under the Coastal Green Note.

As at the date of this report, the Company has yet to advance any funds. Choom's investment will include various rights, including the right in certain circumstances to acquire 100% of Coastal Green, subject to regulatory approval and restrictions on the number of cannabis retailers Choom may acquire over time.

On July 10, 2020, the parties terminated the Coastal Green Note for consideration of \$50,000 cash payment. This has been included in Termination of agreement costs for the three months ended September 30, 2020.

28. GOVERNMENT ASSISTANCE

In connection to the COVID-19 pandemic, the Company and its subsidiaries received \$240,000 in Canada Emergency Business Account ("CEBA") loans from the Government of Canada. These CEBA loans are non-interest bearing and mature on December 31, 2022. Repaying the loan balance on or before December 31, 2022 will result in loan forgiveness of 25%. The principal balance of \$240,000 (June 30, 2020 - \$240,000) is included in government assistance payable at September 30, 2020 on the consolidated statements of financial position.

The Company also qualified for the Canada Emergency Wage Subsidy ("CEWS"), a wage subsidy for eligible Canadian employers whose business has been affected by COVID-19. On July 10, 2020, the Company received \$66,475 (June 30, 2020 - \$Nil), which was credited to salary, wages and benefits in the consolidated statements of loss and comprehensive loss. There are no unfulfilled conditions and outstanding contingencies regarding the CEWS.

As part of the Phivida Transaction, the Company assumed a deferred payment loan of US \$130,400 from the federal U.S. agency, bearing annual interest of 1%, and maturing on May 4, 2022. Principal and interest payments begin November 4, 2020. The loan is subject to partial or full forgiveness according to the terms under the Paycheck Protection Program loan in the United States. As at September 30, 2020, the loan was converted to CAD and \$173,941 was recognized in Government Assistance and \$725 in interest and accretion (June 30, 2020 - \$Nil).

CHOOM HOLDINGS INC.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

(Unaudited, expressed in Canadian Dollars)

29. CONTINGENCIES

On January 21, 2020, the Company received a Statement of Claim from a non-related party for damages of \$4,654,390 due to a wrongful termination of an asset purchase agreement.

On August 31, 2020 and on September 18, 2020, the Company received two Statement of Claims from non-related parties, for damages of \$1,093,098 and \$562,973 due to a breach of lease agreements.

The Company and the Company's legal counsel is currently in process of defending these claims. An estimate of the contingent liabilities and likelihood of loss is unable to be determined at this time and no loss provision has been made in these consolidated financial statements. The Company intends to vigorously defend these claims. Should an adverse outcome result in the future, any amounts incurred may affect future results of operations and cash flows.

30. EVENTS AFTER THE REPORTING DATE**Stock Option Grant**

On October 2, 2020, the Company granted 100,000 options with an exercise price of \$0.09 per share. These options expire on October 2, 2025 and vest 10% on grant, 10% every six months thereafter, and 30% three years from the grant date.

Medical Clinic Divestiture

Subsequent to September 30, 2020 the Company sold the patient lists and other assets of 1165962 B.C. Ltd., Concord Medical Centre Inc., Universal Cannabis Coaching Clinic Inc. and Western Cannabis Coaching Centre Ltd. for a nominal amount. The Company determined this was the most cost-effective way of disposing of the Medical Clinics, which has historically operated at a loss, to focus on cannabis retail. As at September 30, 2020, Goodwill of \$973,050 and intangible assets of \$51,925 were written off and impairment recognized in the income statement. For the three months ended September 30, 2020, the clinics had a net loss of \$1,036,821 (June 30, 2020 - \$99,000).

Phivida Inventory

On October 19, 2020, the Company sold the Phivida Transaction inventory consisting of capsules, tinctures, face serum and other assets for \$120,000 USD to a non-related party. A cash deposit of \$12,000 USD was received on October 22, 2020. The remaining balance, less adjustments, was received on November 27, 2020.

Share Purchase Warrants

On November 2, 2020, 95,760,367 warrants with a price of \$2.75 and 703,881 warrants with a price of \$1.25 expired.