

NORTH BUD FARMS INC.

Condensed Consolidated Interim Financial Statements

For the three and nine month periods ended August 31, 2018

(Expressed in Canadian Dollars)

Condensed Consolidated Interim Financial Statements

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The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements.

North Bud Farms Inc.

Condensed Consolidated Interim Statements of Financial Position (Unaudited)

(Expressed in Canadian dollars)

As at	August 31, 2018	November 30, 2017
	\$	\$
ASSETS		
Current assets		
Cash	4,054,095	1
Sales taxes receivable	68,416	-
Prepaid expenses	191,053	-
	4,313,564	1
Capital assets (Note 3)	393,952	-
Intangible assets (Note 4)	1,904,087	-
Total assets	6,611,603	1
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	336,010	-
Total liabilities	336,010	-
EQUITY		
Share capital (Note 6)	6,175,638	1
Warrants (Note 7)	558,863	-
Deficit	(458,908)	-
Total equity	6,275,593	1
Total liabilities and equity	6,611,603	1

On behalf of the Board

(signed) "Andre Audet"
Andre Audet, Director

(signed) "Ryan Brown"
Ryan Brown, Director

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

North Bud Farms Inc.

Condensed Consolidated Interim Statements of Income and Comprehensive Income (Unaudited)

(Expressed in Canadian dollars)

	Three months ended August 31,		Nine months ended August 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Operating expenses				
Management and consulting fees	107,193	-	146,193	-
Travel and promotion	34,122	-	34,122	-
Professional fees	122,440	-	192,840	-
Office	20,407	-	31,268	-
Insurance	57,674	-	57,674	-
Loss from operations	(341,836)	-	(462,097)	-
Other income				
Interest income	3,189	-	3,189	-
Net loss and total comprehensive loss	(338,647)	-	(458,908)	-
Basic and diluted net loss per common share	(0.008)	-	(0.015)	-
Basic and diluted weighted average number of common shares outstanding	43,789,926	100	29,976,976	100

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

North Bud Farms Inc.

Condensed Consolidated Interim Statements of Changes in Equity (Unaudited)

(in Canadian dollars)

	Share Capital		Warrants	Deficit	Total
	Number of shares	\$	\$	\$	\$
Balance, November 30, 2016, August 31, 2017 and November 30, 2017	100	1	-	-	1
Shares issued for cash (Note 6)	35,458,000	4,430,637	-	-	4,430,637
Warrants issued for cash (Note 6)	-	-	558,863	-	558,863
Shares issued to acquire GrowPros MMP Inc. (Note 4)	15,550,000	1,555,000	-	-	1,555,000
Shares issued to acquire 9366-4027 Quebec Inc. (Note 3)	760,000	190,000	-	-	190,000
Net loss and total comprehensive loss	-	-	-	(458,908)	(458,908)
Balance, August 31, 2018	51,768,100	6,175,638	558,863	(458,908)	6,275,593

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

North Bud Farms Inc.				
Condensed Consolidated Interim Statements of Cash Flows (Unaudited)				
<i>(Expressed in Canadian dollars)</i>				
	Three months ended August 31,		Nine months ended August 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(338,647)	-	(458,908)	-
Changes in non-cash working capital items	46,997	-	76,541	-
Net cash used in operating activities	(291,650)	-	(382,367)	-
INVESTING ACTIVITIES				
Acquisition of subsidiary, net of cash (Note 4)	913	-	(349,087)	-
Investment in capital assets	(67,764)	-	(203,952)	-
Net cash used in investing activities	(66,851)	-	(553,039)	-
FINANCING ACTIVITIES				
Shares issued for cash	2,680,637	-	4,430,637	-
Warrants issued for cash	558,863	-	558,863	-
Net cash provided by financing activities	3,239,500	-	4,989,500	-
Increase in cash	2,880,999	-	4,054,094	-
Cash, beginning of the period	1,173,096	1	1	1
Cash, end of the period	4,054,095	1	4,054,095	1
Changes in non-cash working capital items consists of the following:				
Sales taxes receivable	(27,715)	-	(68,416)	-
Prepaid expenses	(52,969)	-	(191,053)	-
Accounts payable and accrued liabilities	127,681	-	336,010	-
	46,997	-	76,541	-

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

North Bud Farms Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine month periods ended August 31, 2018

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

North Bud Farms Inc. (the “Company” or “North Bud”), formerly 10002402 Canada Inc., was incorporated on November 29, 2016 under the Canada Business Corporations Act.

North Bud is focused on GMP standardized pharma grade cannabis production as well as food grade cannabinoid infused inputs for both the international pharmaceutical market and the pending consumer goods and consumables segment of the recreational cannabis market. The address of the Company’s corporate office is 4400-181 Bay Street, Toronto, Ontario, Canada, M5J 2T3.

On August 23, 2018, the Company completed the acquisition of all of the issued and outstanding shares of GrowPros MMP Inc. (“GrowPros”) (Note 4). GrowPros is pursuing a license to become a producer of medical marijuana in Canada, pursuant to Health Canada’s Access to Cannabis for Medical Purposes Regulations (“ACMPR”).

These condensed interim financial statements have been 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 operations for the foreseeable future. As at August 31, 2018, the Company had not yet generated any revenues from operations and had limited working capital available. The Company has no income or cash inflow from operations. Continued operation of the Company is dependent on becoming a licensed producer of medical marijuana, which requires continued financial support through completion of equity financings, or the achievement of profitable operations in the future. Such material uncertainties cast significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient. These financial statements do not include any adjustments to the carrying value of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the Company be unable to continue as a going concern and these adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”).

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended November 30, 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on October 22, 2018.

(b) Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis and are expressed in Canadian dollars, which is also the functional currency of the parent company.

These condensed consolidated interim financial statements have been prepared using accounting policies that are consistent with those used in the preparation of the Company’s audited financial statements for the year ended November 30, 2017, however, as a result of the acquisition of GrowPros MMP Inc. (Note 4) and 9366-

North Bud Farms Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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4027 Quebec Inc. (Note 3), the Company has adopted a number of new accounting policies, which have been included in Note 2 of these financial statements.

(c) Basis of consolidation

These condensed consolidated interim financial statements consolidate those of the parent company and all of its subsidiaries as at and for the period ended August 31, 2018. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of August 31, 2018.

All intercompany transactions and balances between the companies are eliminated on consolidation, including unrealized gains and losses on transactions. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Composition of the Company:

The subsidiaries of the Company and their principal activities as at August 31, 2018 and November 30, 2017 were as follows:

Name of subsidiary	Place of incorporation	Ownership interest as at		Principal activity
		August 31, 2018	November 30, 2017	
GrowPros MMP Inc.	Canada	100%	-	ACMPR license applicant
9366-4027 Quebec Inc.	Canada	100%	-	Holding company

(d) Capital assets

Capital assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated using the following methods and terms:

Asset type	Depreciation method	Depreciation term
Land	Not depreciated	No term
Construction in progress	Not depreciated	No term

A capital asset is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying value of the asset, is included in the consolidated statements of income and comprehensive income in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed on an annual basis, and adjusted prospectively, if appropriate.

There have been no impairment losses with respect to capital assets recognized in any of the periods presented in these consolidated financial statements.

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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(e) Intangible assets

Intangible assets are stated at cost, net of accumulated amortization and accumulated impairment losses, if any.

Amortization is calculated using the following methods and terms:

Asset type	Amortization method	Amortization term
License application	Not amortized	Indefinite

The estimated success of applications, useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Following initial recognition, intangible assets with indefinite lives are carried at cost less any accumulated impairment losses.

There have been no impairment losses with respect to intangible assets recognized in any of the periods presented in these consolidated financial statements.

3. CAPITAL ASSETS

	Land (1)	Construction in progress (2)	Total
	\$	\$	\$
Cost			
Balance, November 30, 2017	-	-	-
Additions	190,000	203,952	393,952
Cost, August 31, 2018	190,000	203,952	393,952
Accumulated depreciation			
Balance, November 30, 2017	-	-	-
Depreciation	-	-	-
Accumulated depreciation, August 31, 2018	-	-	-
Net Book Value, August 31, 2018	190,000	203,952	393,952

(1) On June 7, 2018, the Company acquired all of the issued and outstanding shares of 9366-4027 Quebec Inc. ("9366-4027"), a company controlled by North Bud's CEO, in consideration for 760,000 common shares of North Bud. 9366-4027 is a holding company which owns 130 acres of farmland in Venosta, Quebec, where the Company intends to build its future production facility. The acquisition does not meet the definition of a business combination under IFRS and, as such, has been accounted for as an asset acquisition. The land was recorded at an amount of \$190,000, being the estimated fair value of the 760,000 common shares issued.

(2) During the nine months ended August 31, 2018, the Company incurred expenditures of \$203,952 towards getting the site ready at the location noted above, in preparation for the construction of the production facility.

The Company did not have any capital assets during the 2017 fiscal year.

North Bud Farms Inc.

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4. INTANGIBLE ASSETS

	License application (1)	Total
	\$	\$
Cost		
Balance, November 30, 2017	-	-
Additions	1,904,087	1,904,087
Cost, August 31, 2018	1,904,087	1,904,087
Accumulated amortization		
Balance, November 30, 2017	-	-
Amortization	-	-
Accumulated amortization, August 31, 2018	-	-
Net Book Value, August 31, 2018	1,904,087	1,904,087

- (1) On February 16, 2018, the Company entered into a share purchase agreement (“SPA”) with Tetra Bio-Pharma (“Tetra”), to acquire all of the issued and outstanding shares of GrowPros MMP Inc. (“GrowPros”) for \$350,000 and 15,000,000 common shares of North Bud. The transaction was conditional on North Bud listing its shares on a recognized Canadian stock exchange. Effective July 31, 2018, the Company and Tetra executed an amendment to the SPA, whereby it was agreed that North Bud would issue 550,000 additional common shares to Tetra as consideration under the SPA. This measure was agreed to by the Company and Tetra so as to respect the anti-dilution covenant found in the SPA, which stipulated that Tetra should maintain ownership over a number of common shares representing at least 30% of all issued and outstanding shares of the Company on a non-diluted basis following the completion of the GrowPros acquisition and immediately prior to the listing of the common shares on a recognized Canadian stock exchange.

On August 23, 2018, further to receiving notice of final receipt for its non-offering prospectus from the Ontario Securities Commission (the “OSC”) and listing approval from the Canadian Securities Exchange (the “CSE”), North Bud completed the acquisition of GrowPros.

The acquisition does not meet the definition of a business combination under IFRS and, as such, has been accounted for as an acquisition of assets. Total consideration paid to Tetra was \$1,905,000, which included \$350,000 in cash and 15,550,000 common shares with an estimated fair value of \$1,555,000, or \$0.10 per share, based on the price of the shares issued in the Company’s private placement that closed two days prior to the execution of the SPA, on February 14, 2018 (Note 6). On acquisition, the Company recorded an intangible asset in the amount of \$1,904,087, related to GrowPros’ license application with Health Canada.

The fair value of the net assets acquired, based on the consideration paid, was as follows:

	\$
Cash	913
Intangible assets	1,904,087
Net assets acquired	1,905,000

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5. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

The Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair value of the Company's financial instruments approximates their carrying value due to their short-term nature.

The classification of financial instruments is as follows:

	August 31, 2018	November 30, 2017
	\$	\$
Financial assets		
Loans and receivables		
Cash	4,054,095	1
Total financial assets	4,054,095	1
Financial liabilities		
Measured at amortized cost		
Accounts payable and accrued liabilities	(336,010)	-
Total financial liabilities	(336,010)	-

Risk management

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(i) Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash. The Company's cash is held at reputable financial institutions with high external credit ratings. It is Management's opinion that the Company is not exposed to significant credit risk.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Management considers that all the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality. There are no financial assets that are past due but not impaired for the periods presented.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

North Bud Farms Inc.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares through equity offerings or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. There have been no changes to the Company's capital management approach during the nine month period ended August 31, 2018.

6. SHARE CAPITAL

Authorized

An unlimited number of the following shares:

Class "A" common shares voting common shares, no par value

Issued

Class "A" common shares

	Number of shares	\$
Balance, November 30, 2016 and November 30, 2017	100	1
Shares issued for cash (1)(2)(3)(4)	35,458,000	4,430,637
Shares issued to acquire GrowPros MMP Inc. (Note 4)	15,550,000	1,555,000
Shares issued to acquire 9366-4027 Quebec Inc. (Note 3)	760,000	190,000
Balance, August 31, 2018	51,768,100	6,175,638

- (1) On January 15, 2018, the Company closed a private placement for gross proceeds of \$500,000. The private placement was comprised of 10,000,000 shares at a price of \$0.05 per share. Directors of the Company (or corporations controlled by directors of the Company) participated in the private placement for a total amount of \$500,000.
- (2) On February 14, 2018, the Company closed a private placement for gross proceeds of \$1,100,000. The private placement was comprised of 11,000,000 shares at a price of \$0.10 per share. A Director of the Company participated in the private placement for an amount of \$25,000.
- (3) On April 20, 2018, the Company closed a private placement for gross proceeds of \$150,000. The private placement was comprised of 1,500,000 shares at a price of \$0.10 per share.
- (4) On July 25, 2018, the Company closed a private placement for gross proceeds of \$3,239,500. The private placement was comprised of 12,958,000 units at a price of \$0.25 per unit. Each unit is comprised of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.40 for a period of twenty-four months following the date upon which the common shares are listed for trading on a recognized Canadian stock exchange (September 20, 2018). The warrants issued in connection to the private placement have

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Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

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been recorded at a value of \$558,863 based on the proportional method and using the Black-Scholes option pricing model, using the following assumptions: stock price of \$0.25, risk-free interest rate of 2.05%, expected life of warrants of 2 years, annualized volatility of 100% and dividend rate of 0%. The underlying volatility is based on historical data of similar companies, as the Company has limited historical data itself on which it could be based. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of issuance with an expiry commensurate with the expected life of the warrants.

7. WARRANTS

Outstanding warrants entitle the holders thereof to subscribe to an equivalent number of common shares.

The following table reflects the continuity of warrants:

	Number of warrants	Weighted average exercise price
		\$
Balance, November 30, 2016 and November 30, 2017	-	-
Issued	6,479,000	0.25
Balance, August 31, 2018	6,479,000	0.25

As at August 31, 2018, the following warrants were issued and outstanding:

Number of warrants	Issue date fair value	Exercise price	Expiry date
	\$	\$	
6,479,000	558,863	0.25	September 20, 2020

As at November 30, 2017, there were no warrants issued and outstanding:

North Bud Farms Inc.

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8. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

Related parties include the Board of Directors and key management personnel, as well as close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Unless otherwise stated, none of these transactions incorporated special terms and conditions and no guarantees were given or received.

Remuneration of directors and key management personnel of the Company was as follows:

	Three months ended August 31,		Nine months ended August 31,	
	2018	2017	2018	2017
	\$	\$	\$	\$
Consulting fees	30,000	-	45,000	-
	30,000	-	45,000	-

9. SUBSEQUENT EVENTS

Closing of Private Placement

On September 20, 2018, the Company closed a private placement for gross proceeds of \$994,500. The private placement was comprised of 3,778,000 units at a price of \$0.25 per unit. Each unit is comprised of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.40 until September 20, 2020. A Director of the Company participated in the private placement for an amount of \$50,000.

Stock options

On September 19, 2018, the Company announced the grant of 5,150,000 stock options to certain of its directors, officers, employees and consultants. Each option entitles the holder to acquire one common share for a period of 5 years at an exercise price of \$0.25 per common share.

On September 27, 2018, the Company announced the grant of 85,000 stock options to a consultant, which vest over a two-year period. Each option entitles the holder to acquire one common share for a period of 5 years at an exercise price of \$0.60 per common share.