Hollister Biosciences Inc.

(formerly 1205600 B.C. Ltd.)

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019

(Expressed in United States Dollars) - Unaudited

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2020 and 2019.

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Hollister Biosciences Inc. ("the Company" or "Hollister") for the interim period ended June 30, 2020, have been prepared in accordance with the International Accounting Standard 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of the Company's management.

The Company's independent auditors, Davidson & Company LLP, have not performed a review of these interim financial statements

August 21, 2020

Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)

Condensed Interim Consolidated Statements of Financial Position

(Expressed in United States Dollars) - Unaudited

	Note	**June 30, 2020** **$**	December 31, 2019 $
Assets			
Current assets			
Cash		**1,050,445**	1,456,149
Receivables	6	**1,268,979**	243,400
Prepaid expenses		**200,336**	13,698
Inventory	7	**1,737,335**	405,470
		4,257,095	2,118,717
Non-current assets			
Deposits		**179,500**	104,500
Property and equipment	8	**4,120,054**	3,661,441
Goodwill	9	**14,152,282**	-
Total assets		**22,708,931**	5,884,658
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	10, 18	**1,716,652**	330,374
Deferred compensation payable	4	**1,000,000**	-
Deferred revenue		**-**	50,000
Accounts payable to related parties	18	**168,658**	122,695
Promissory notes payable	11	**441,550**	-
Current portion of long-term debt	12	**119,603**	109,138
Current portion of loan payable		**5,358**	-
Current portion of lease liabilities	13	**810,721**	810,721
		4,262,542	1,422,928
Non-current liabilities			
Long-term debt	12	**9,681**	8,490
Loan payable		**231,844**	-
Lease liabilities	13	**3,393,799**	3,463,203
Consideration payable	14	**4,345,489**	-
Total liabilities		**12,243,355**	4,894,621
Shareholders' equity			
Share capital	15	**15,768,921**	4,390,331
Reserves	15	**576,482**	631,431
Accumulated other comprehensive loss		**(48,145)**	29,595
Deficit		**(5,831,682)**	(4,061,320)
Total equity		**10,465,576**	990,037
Total liabilities and shareholders' equity		**22,708,931**	5,884,658

Nature of operations and going concern (Note 1)
Subsequent events (Note 21)

Approved on behalf of the Board of Directors on August 21, 2020:

"Carl Saling" **Director** *"Anthony Zelen"* **Director**

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

Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and six months ended June 30, 2020 and 2019

(Expressed in United States Dollars) - Unaudited

		Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
	Note	$	$	$	$
Revenue from sale of goods		**8,395,666**	221,826	**9,257,717**	428,227
Revenue from provision of services		**80,536**	-	**167,383**	-
Gross revenue		**8,476,202**	221,826	**9,425,100**	428,227
Cost of sales		**6,964,616**	343,236	**8,198,383**	561,569
Gross profit (loss)		**1,511,586**	(121,410)	**1,226,717**	(133,342)
Operating expenses					
Transaction costs		**-**	-	**828,100**	-
Administrative expenses		**182,362**	5,617	**275,526**	9,454
Accretion expense	12	**3,151**	6,554	**6,301**	13,107
Depreciation	8	**51,954**	240	**129,053**	480
Finance costs	13	**110,179**	61,908	**219,861**	127,408
Licenses and permits		**-**	4,164	**-**	5,707
Interest expense	11	**37,500**	-	**50,000**	-
Management fees	18	**20,834**	37,500	**83,333**	87,500
Salaries and wages		**179,431**	-	**179,431**	-
Marketing		**378,730**	8,301	**849,862**	16,181
Professional fees and consulting	18	**238,540**	9,190	**374,111**	42,279
Travel and meals		**1,501**	2,531	**1,501**	3,657
Loss from operating expenses		**(1,204,182)**	(136,005)	**(2,997,079)**	(305,773)
Income (loss) before undernoted items		**307,404**	(257,415)	**(1,770,362)**	(439,115)
Gain on modification of debt		**-**	255,436	**-**	255,436
Net income (loss)		**307,404**	(1,979)	**(1,770,362)**	(183,679)
Foreign currency translation adjustment		**(2,027)**		**(77,740)**	-
Comprehensive income (loss)		**305,377**	(1,979)	**(1,848,102)**	(183,679)
Weighted average number of shares outstanding					
- Basic #		**118,830,588**	32,627,028	**151,999,316**	32,627,028
- Diluted #		**118,830,588**	32,627,028	**151,999,316**	32,627,028
Basic income (loss) per share $		**0.00**	(0.00)	**(0.01)**	(0.02)
Diluted income (loss) per share $		**0.00**	(0.00)	**(0.01)**	(0.02)

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

Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended June 30, 2020 and 2019

(Expressed in United States Dollars) - Unaudited

	Note	**2020**	2019
		$	$
Operating activities			
Net loss		**(1,770,362)**	(183,679)
Adjustment for non-cash items:			
Transaction costs	4	**828,100**	-
Gain on modification of long-term debt		**-**	(255,436)
Accretion expense		**6,301**	13,107
Depreciation - cost of sales	8	**237,946**	244,344
Depreciation	8	**129,053**	480
Shares for services		**62,075**	-
Interest expense	11	**50,000**	-
Finance costs	13	**219,861**	127,438
Working capital adjustments:			
Receivables		**86,766**	(67,378)
Prepaid expenses		**(75,625)**	(1,847)
Inventory		**(280,884)**	62,295
Deposits		**(75,000)**	-
Accounts payable and accrued liabilities		**65,770**	224,560
Accounts payable to related parties		**13**	71,500
Deferred revenue		**(50,000)**	-
		(565,986)	235,384
Investing activities			
Purchases of equipment		**(241,082)**	(5,010)
Deferred compensation paid with Venom Extracts acquisition	4	**(1,250,000)**	-
Cash acquired with Venom Extracts acquisition	4	**2,091,219**	-
		600,137	(5,010)
Financing activities			
Proceeds from issuance of Membership units		**-**	150,000
Proceeds from option exercise		**56,848**	-
Proceeds from warrant exercise		**12,633**	-
Repayments of promissory notes payable	11	**(39,000)**	-
Repayments of long-term debt	12	**(18,009)**	(4,562)
Repayments under finance lease and lease liability	13	**(418,937)**	(405,207)
		(406,465)	(259,769)
Net change in cash		**(33,390)**	-
Impact of foreign exchange on cash		**(405,704)**	(29,395)
Cash, beginning of period		**1,456,149**	46,676
Cash, end of period		**1,050,445**	17,281

Supplemental cash flow information (Note 20)

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

Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the three and six months ended June 30, 2020 and 2019

(Expressed in United States Dollars) - Unaudited

	Number of shares #	Share capital $	Reserves $	Accumulated other comprehensive income (loss) $	Deficit $	Total equity $
December 31, 2019	108,777,373	4,390,331	631,431	29,595	(4,061,320)	990,037
Shares issued on purchase of Venom	70,390,672	9,715,088	-	-	-	9,715,088
Shares issued on purchase of AlphaMind	4,200,000	603,882	-	-	-	603,882
Shares issued as Transaction costs	6,000,000	828,100	-	-	-	828,100
Shares issued on exercise of stock options	750,000	56,848	-	-	-	56,848
Reallocation of fair value upon exercise of options	-	54,949	(54,949)	-	-	-
Shares issued on exercise of warrants	166,666	12,633	-	-	-	12,633
Share issued for marketing services	703,400	62,075	-	-	-	62,075
Shares issued as settlement of debt	566,883	45,015	-	-	-	45,015
Loss and comprehensive loss	-	-	-	(77,740)	(1,770,362)	(1,848,102)
June 30, 2020	**191,554,994**	**15,768,921**	**576,482**	**(48,145)**	**(5,831,682)**	**10,465,576**

	Number of shares #	Share capital $	Reserves $	Accumulated other comprehensive loss $	Deficit $	Total equity $
December 31, 2018	4,778,148	1,616,767	-	-	(1,592,587)	24,180
Adoption of IFRS 16	-	-	-	-	(575,238)	(575,238)
January 1, 2019	4,778,148	1,616,767	-	-	(2,167,825)	(551,058)
Private placements	540,000	100,000	-	-	-	100,000
Loss and comprehensive loss	-	-	-	-	(183,679)	(183,679)
June 30, 2019	**5,318,148**	**1,716,767**	**-**	**-**	**(2,351,504)**	**(634,737)**

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

1. Nature of operations and going concern

Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.) was incorporated on April 17, 2019 under the laws of the Province of British Columbia, Canada. On August 29, 2019, 1205600 B.C. Ltd. changed its name to Hollister Biosciences Inc. (collectively herein referred to as the "Company"). The Company's registered and records office is located at 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, British Columbia, Canada, V6E 4N7. The Company was incorporated for the sole purpose of completing financings in anticipation of completing the acquisition of Weldon Manor, LLC, ("Weldon") and concurrently applying for a listing on the Canadian Securities Exchange (the "CSE") as described below. Weldon is a private licensed manufacturer and distributor of cannabis pre-roll and extract products in the State of California. The Company is listed on the CSE under the symbol "HOLL ".

On July 9, 2019, the Company entered into a Securities Exchange Agreement with Weldon, between the Company, Weldon, and Weldon's members, whereby Weldon's members would receive 40,000,000 common shares of the Company in consideration of all the issued and outstanding membership units in Weldon (the "Transaction").

Effective November 8, 2019, the Transaction closed whereby the Company acquired all of the issued and outstanding membership interests of Weldon by the issuance of 40,000,000 common shares of the Company to Weldon's members (of which 8,580,000 were issued to the Company in respect of its membership interest in Weldon (Note 4) which were subsequently returned to treasury). Additionally, the Company issued 800,000 common shares as "Finder Fee Shares" to an arm's length Finder that facilitated the Transaction.

Concurrent with closing of the Transaction, the Company's common shares were listed on the CSE on November 22, 2019. All issued and outstanding common shares of the Company were consolidated on a 1.5:1 basis immediately prior to listing on the CSE. All references to share and per share amounts have been retroactively restated to reflect the share consolidation.

Management determined that the Transaction constituted a reverse acquisition for accounting purposes whereby Weldon acquired the Company. For accounting purposes, Weldon is treated as the accounting acquirer (legal subsidiary), and the Company is treated as the accounting acquiree (legal parent) in these condensed interim consolidated financial statements. As Weldon was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these financial statements at their historical carrying values. The Company's results of operations are included from the Transaction date, November 8, 2019. The comparative figures are those of Weldon prior to the reverse acquisition.

These financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The continuation of the Company is dependent upon the continuation of Weldon's manufacturing and distribution business in the United States and the generation of positive cash flows and profitable operations therewith. If the going concern assumption were not appropriate for these financial statements, it would be necessary to restate the Company's assets and liabilities on a liquidation basis.

Historically, management has been successful in obtaining enough funding for operating and capital requirements. There is, however, no assurance that the Company will generate profits from operations or that additional future funding will be available to the Company, or that such funding will be both adequate to cover its obligations and available on terms which are acceptable to the management of the Company.

As at June 30, 2020 the Company had continued losses and an accumulated deficit.

Several states in the United States have enacted legislation to regulate the sale and use of medical cannabis without limits on tetrahydrocannabinol ("THC"), while other states have regulated the sale and use of medical cannabis with strict limits on the levels of THC. Notwithstanding the permissive regulatory environment of adult-use recreational and medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "CSA") in the United States and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under United States federal law.

1. Nature of operations and going concern (continued)

Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time. These conditions indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

2. Basis of preparation

a) Statement of compliance

These unaudited condensed interim consolidated financial statements ("interim financial statements) were approved by the Board of Directors and authorized for issue on August 21, 2020.

These interim financial statements have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). As such, these interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2019 and 2018 ("annual financial statements").

b) Basis of measurement

These interim financial statements have been prepared in United States ("U.S.") dollars on a historical cost basis except for cash measured at fair value. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

c) Functional and presentation currency

These interim financial statements are presented in U.S. dollars. The functional currency of the Company is the Canadian dollar. See "Basis of consolidation" for the functional currency of the Company's subsidiaries.

d) Basis of consolidation

Subsidiaries are entities controlled by the Company and are included in these interim financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities.

2. Basis of preparation (continued)

All inter-company balances, transactions, revenues and expenses have been eliminated on consolidation. These interim financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of subsidiary	Abbreviation	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
Hollister Biosciences Inc	Hollister	Canada	100%	CAD	Holding company
Hollister Holistics 1	HH1	USA	100%	USD	Operating company
Hollister Holistics 2	HH2	USA	100%	USD	Operating company
Venom Extracts *	Venom Extracts	USA	100%	USD	Operating company
AlphaMind Brands Inc. **	AlphaMind	Canada	100%	CAD	Operating company

**On March 24, 2020, the Company acquired a 100% interest in Venom Extracts (note 4(b)).*
***On April 30, 2020, the Company acquired a 100% interest in AlphaMind (note 4(c)).*

e) Reclassification of prior year amounts

The Company may have reclassified certain immaterial items to improve clarity.

3. Significant accounting policies

The accounting policies applied in the preparation of these interim financial statements are consistent with those applied and disclosed in note 2 to the annual financial statements.

a) Estimates and critical judgments by management

The Company's management makes judgements in the process of applying the Company's accounting policies in the preparation of its interim financial statements. In addition, the preparation of the financial statements requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The Company's interim results are not necessarily indicative of its results for a full year. The critical judgements and estimates applied in the preparation of these interim financial statements are consistent with those applied and disclosed in note 2 to the annual consolidated financial statements with exception of the following:

4. Transactions

a) Reverse takeover

Upon the closing of the Transaction on November 8, 2019 (Note 1), the following occurred:

- The Company issued 34,280,000 common shares of the Company to the Weldon's members. Of the required 40,000,000 common shares (60,000,000 pre-consolidated common shares) to be issued to Weldon's members pursuant to the SEA, 5,720,000 common shares relate to the Company's membership interest in Weldon.

- The Company issued 800,000 common shares as finder's fees relating to the Transaction ("Finder's Shares"). The Finder's Shares were valued at $63,219, which were based on the most recent concurring financing (see below).

4. Transactions (continued)

- The Company completed a concurrent financing prior to the Transaction whereby the Company issued:
  - 250,000 Special Warrants for gross proceeds of $14,335; and
  - 41,047,373 Special Warrants for gross proceeds of $3,299,282 (collectively, the "Special Warrants").

Pursuant to the SEA, each Special Warrant entitled the holders to acquire one common share of the Company without payment for any additional consideration. All Special Warrants were exercised upon closing of the Transaction. The proceeds of the concurring financing were included in the cash assumed on the Transaction.

The Transaction resulted in Weldon's members obtaining control of the combined entities by obtaining control of governance, and management decision making processes, and the resulting power to govern the financial and operating polices of the combined entities.

As a result of the Transaction, Weldon obtained control of the Company and is considered to have acquired the Company. The Transaction constituted a reverse takeover acquisition ("RTO") of the Company by Weldon and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided in IFRS 2*, Share-based Payments* and IFRS 3, *Business Combinations*. As the Company did not qualify as a business in accordance with the definition of IFRS 3, the RTO does not constitute a business combination. Rather, it is treated as an issuance of common shares by Weldon for the net assets of the Company and its public listing, with Weldon as the continuing entity. Accordingly, no goodwill or intangible assets were recorded with respect to the Transaction.

For accounting purposes, Weldon is treated as the accounting parent (legal subsidiary) and the Company as the accounting subsidiary (legal parent). The fair value of consideration paid by Weldon, net of transaction costs, less the fair value of net assets of the Company acquired by Weldon constitutes the listing expense and has been recorded in the statement of loss and comprehensive loss. These consolidated financial statements reflect the assets, liabilities and operations of Weldon since its incorporation and the Company from November 8, 2019.

	November 8, 2019
	$
Consideration paid on RTO	
Fair value of common shares outstanding of the Company prior to Transaction (32,400,000 common shares)	2,560,345
Fair value of net assets acquired	
Cash	1,777,990
Receivables	508
Loan receivable from Weldon	705,000
Accounts payable and accrued liabilities	(15,805)
	2,467,693
Transaction costs	
Finder's Shares (800,000 common shares)	63,219
Other	99,370
	162,589
Listing expense	255,241

4. Transactions (continued)

b) Acquisition of Venom Extracts

On March 24, 2020, the Company closed its acquisition of Labtronix, Inc. doing business as Venom Extracts ("Venom Extracts") that owns Venom Extracts, an Arizona cannabis extract brand (the "Acquisition").

Pursuant to the terms of the Acquisition, the Company has acquired Venom Extracts for consideration of CAD$20,000,145 which was satisfied by the issuance of 70,390,672 Hollister common shares (the "Venom Payment Shares") at a deemed value of CAD$0.20 per share pro rata to the shareholders of Venom Extracts and an additional 29,610,054 common shares (the "Venom Earn-Out Shares") at a deemed value of CAD$0.20 per share to certain former shareholders of Venom Extracts on the earlier of (i) Venom Extracts reaching certain revenue milestones (detailed below), or (ii) December 31, 2021.

- The Venom Earn-Out Shares will be issued on the earlier of (i) December 31, 2021, or (ii) when and if the following milestones have been met:
  - 19,740,036 Venom Earn-Out Shares will be issued when revenue of Venom Extracts exceeds CAD$30,000,000 (calculated in accordance with IFRS from January 1, 2020); and
  - An additional 9,870,018 Venom Earn-Out Shares will be issued when revenue of Venom Extracts exceeds CAD$40,000,000 (calculated in accordance with IFRS from January 1, 2020).

In connection with the Acquisition, the Company issued 6,000,000 common shares (the "Finder Shares") to an arm's length third party finder at a deemed price of CAD$0.20 per Finder Share.

The Company is in the process of obtaining a valuation of the underlying assets of Venom Extracts including its property and equipment, intangibles, the Venom Extracts brand, customers list and goodwill, and is also determining Venom Extracts' final working capital balances.

The transaction has been accounted for by the Company as a business combination under IFRS 3, *Business Combinations*, with the assets and liabilities acquired recorded at their fair values at the acquisition date. The Company is required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values of the net assets acquired is recorded as goodwill.

4. Transactions (continued)

The following table summarizes the preliminary purchase price allocation:

	March 24, 2020
	$
Cash and cash equivalents	2,091,219
Receivables	1,112,345
Prepaid expenses	111,013
Inventory	1,050,981
Property and Equipment	471,397
Right-of-use assets	113,133
Accounts payable and accrued liabilities	(1,347,658)
Deferred compensation payable	(2,250,000)
Accounts payable to related parties	(45,950)
Loans payable	(216,216)
Promissory note	(430,550)
Lease liability	(129,672)
Total assets and liabilities acquired	**530,042**
Consideration	
Fair value of 70,390,672 common shares issued – Venom Payment Shares	9,715,088
Fair value of 29,610,540 common shares issued – Venom Earn-Out Shares	4,086,682
Total consideration	**13,801,770**
Goodwill	**13,271,728**

The results of operations are included in the Company's condensed interim consolidated income and comprehensive income for the period since the acquisition date. From the closing date of the acquisition on March 24, 2020 to June 30, 2020, Venom Extracts contributed revenues of $8,773,238 and net income of $709,239 to the Company's results. If the acquisition occurred on January 1, 2020, management estimates that revenue and net income would have been increased by approximately $14,479,705 and $1,294,935, respectively.

Goodwill arose in this acquisition because the consideration paid for the combination reflected the benefit of expected revenue growth and future market development. Management is assessing whether these benefits meet the recognition criteria for identifiable intangible assets which could reduce the amount of goodwill. The accounting for these acquisitions has been provisionally determined at June 30, 2020. The fair value of net assets acquired and total consideration have been determined provisionally and subject to adjustment. Upon completion of a comprehensive valuation and finalization of the purchase price allocation, goodwill may be adjusted retrospectively to the acquisition date in future reporting periods.

4. Transactions (continued)

c) Acquisition of AlphaMind

On April 30, 2020, the Company closed its acquisition of AlphaMind Brands Inc (AlphaMind"), a Canada and US based growth stage company, which is developing certified legal mushroom based natural health products (the "AlphaMind Acquisition").

Pursuant to the terms of the AlphaMind Acquisition, the Company has acquired AlphaMind for consideration of CDN$1,200,000 which was satisfied by the issuance of 4,200,000 Hollister common shares (the "AlphaMind Payment Shares") at a deemed value of CDN$0.20 per share pro rata to the shareholders of AlphaMind and an additional 1,800,000 common shares (the "AlphaMind Earn-Out Shares") at a deemed value of CDN$0.20 per share to certain former shareholders of AlphaMind on the earlier of (i) AlphaMind's first production run or its first sales of product, or (ii) December 31, 2021.

The Company is in the process of obtaining a valuation of the underlying assets of AlphaMind including its property and equipment, intangibles, the AlphaMind brand, customers list and goodwill, and is also determining AlphaMind's final working capital balances.

The transaction has been accounted for by the Company as a business combination under IFRS 3, *Business Combinations*, with the assets and liabilities acquired recorded at their fair values at the acquisition date. The Company is required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values of the net assets acquired is recorded as goodwill.

The following table summarizes the preliminary purchase price allocation:

	April 30, 2020
	$
Accounts payable and accrued liabilities	(17,865)
Total assets and liabilities acquired	**(17,865)**
Consideration	
Fair value of 4,200,000 common shares issued – AlphaMind Payment Shares	603,882
Fair value of 1,800,000 common shares issued – AlphaMind Earn-Out Shares	258,807
Total consideration	**862,689**
Goodwill	**880,554**

The results of operations are included in the Company's condensed interim consolidated income and comprehensive income for the period since the acquisition date. From the closing date of the acquisition on April 30, 2020 to June 30, 2020, AlphaMind contributed revenues of $nil and net income of $nil to the Company's results. If the acquisition occurred on January 1, 2020, management estimates that revenue and net income would have been decreased by approximately $nil and $nil, respectively.

Goodwill arose in this acquisition because the consideration paid for the combination reflected the benefit of expected revenue growth and future market development. Management is assessing whether these benefits meet the recognition criteria for identifiable intangible assets which could reduce the amount of goodwill. The accounting for these acquisitions has been provisionally determined at June 30, 2020. The fair value of net assets acquired and total consideration have been determined provisionally and subject to adjustment. Upon completion of a comprehensive valuation and finalization of the purchase price allocation, goodwill may be adjusted retrospectively to the acquisition date in future reporting periods.

5. Mighty Meds Inventory

On December 7, 2017, the Company completed an Asset Purchase Agreement (the "Agreement") with certain sellers (the "Sellers"), to acquire specified assets from the Sellers, including but not limited to Mighty Meds branded inventory, marketing materials, domain names/websites, and product formulations.

In accordance with the Agreement, and prior to the amendment discussed below, the Company was required to make cash payments totalling $550,000 (amended to $200,000) as follows:

- $30,000 from January 2018 to June 2018 (a minimum of $5,000 per month); and
- $520,000 from July 2018 to October 2022 (a minimum of $10,000 per month) ($20,000 completed prior to the amendment on April 25, 2019 below).

On April 25, 2019, the Company and the Sellers amended the Agreement to reduce the purchase price payable to $200,000, of which $50,000 was paid during the year ended December 31, 2018. In accordance with the amendment, the Company is required to make payments as follows:

- $3,000 from May 2019 to July 2019 ($1,000 per month) (completed);
- $15,000 from August 2019 to October 2019 ($5,000 per month) (completed $10,000 as at September
- 30, 2019);
- $132,000 from November 2019 to December 2020 ($10,000 per month until the balance is paid in full).

As a result of the amendment, the Company recognized a gain on modification of long-term debt during the year ended December 31, 2019, in the amount of $255,436 (Note 12).

During the six months ended June 30, 2020, the Company made cash payments of $15,000 (2019 - $nil) towards the purchase price consideration payable which was applied against long-term debt.

As at June 30, 2020, the undiscounted amount of the balance payable to the Sellers was $102,000 (December 31, 2019 - $117,000). The balance payable by the Company is personally guaranteed by the Company's CEO.

6. Receivables

	June 30, 2020	**December 31, 2019**
	$	$
Trade receivables	**1,238,007**	238,504
Other receivables	**30,972**	12,647
Allowance for doubtful accounts	**-**	(7,751)
	1,268,979	243,400

The aging analysis of accounts receivable as at June 30, 2020 and December 31, 2019 is as follows:

			Past due but not impaired		
	Total	Neither past due nor impaired	31-60 days	61-90 days	90+ days
	$	$	$	$	$
June 30, 2020	**1,238,007**	**1,186,745**	**48,854**	**2,408**	**-**
December 31, 2019	238,504	180,723	1,866	34,371	21,544

During the three and six months ended June 30, 2020, the Company recorded a loss provision against receivables for estimated bad debt expense in the amount of $nil and $nil, respectively, (2019 - $nil and $nil, respectively), from allowance for doubtful accounts to trade receivables as it was determined that there is no reasonable expectation to collect the balance due from the customer.

7. Inventory

The Company maintains three classes of inventory: raw materials, work in process ("WIP") and finished goods. Raw materials consist of cannabis "trim" and various packaging and incidental items. WIP consists primarily of inventory in the process of being converted from trim to oil. Finished goods inventory includes pre-rolls, cannabis oil in cartridges and batteries for vaporizer pen cartridges.

Inventory consists of the following:

	June 30, 2020	December 31, 2019
	$	$
Raw materials	**744,250**	128,681
Concentrates (finished goods)	**800,334**	78,792
Pre-rolls (finished goods)	**178,260**	179,773
Packaging and supplies	**14,491**	10,346
	1,737,335	379,592

The Company allocates various production and overhead costs and expenses to inventory items. As such, the cost of inventory is recognized as an expense, and included in cost of goods sold for the three and six months ended June 30, 2020, in the amount of $ 7,031,767 and $8,265,534, respectively (2019 - $343,236 and $561,569 respectively) and valued at cost. Direct product costs are valued on a weighted average basis and major production cost such as labor and testing are allocated to inventory.

During the three and six months ended June 30, 2020, the Company wrote-down inventory in the amount of $nil and $nil, respectively, (2019 - $nil and $nil, respectively) included within cost of sales.

8. Property and equipment

	Furniture and fixtures	Vehicle	Plant and equipment	Leasehold improvements	ROU assets	Total
	$	$	$	$	$	$
Cost						
December 31, 2018	4,796	21,600	155,937	-	-	182,333
Additions	8,407	-	21,584	26,469		56,460
Adoption of IFRS 16	-	-	-	-	3,987,857	3,987,857
December 31, 2019	13,203	21,600	177,521	26,469	3,987,857	4,226,650
Additions from acquisition	18,604	-	300,568	152,225	113,133	584,530
Additions	411	63,925	28,613	148,133	-	241,082
June 30, 2020	**32,218**	**85,525**	**506,702**	**326,827**	**4,100,990**	**5,052,262**
Accumulated depreciation						
December 31, 2018	1,724	4,320	43,790	-	-	49,834
Depreciation	3,069	3,600	44,009	4,560	460,137	515,375
December 31, 2019	4,793	7,920	87,799	4,560	460,137	565,209
Depreciation	2,058	5,717	64,276	57,002	237,946	366,999
June 30, 2020	**6,851**	**13,637**	**152,075**	**61,562**	**698,083**	**932,208**
Carrying amount						
December 31, 2019	8,410	13,680	89,722	21,909	3,527,720	3,661,441
June 30, 2020	**25,367**	**71,888**	**354,627**	**265,265**	**3,402,907**	**4,120,054**

8. Property and equipment (continued)

Right-of-use ("ROU") assets:

The Company's ROU assets include the following leases:

- Indoor cannabis manufacturing facility in Hollister, California.
- Office lease in Phoenix, Arizona

Effective January 1, 2019 on adoption of IFRS 16, the Company capitalized the facility as a ROU asset, with a cost of $3,987,857, lease liability of $4,563,095 and a charge to deficit of $575,238.

9. Goodwill

	June 30, 2020	December 31, 2019
	$	$
Opening balance	**-**	-
Additions – Venom Extracts acquisition	**13,271,728**	-
Additions – AlphaMind acquisition	**880,554**	-
Ending balance	**14,152,282**	-

10. Accounts payable and accrued liabilities

	June 30, 2020	December 31, 2019
	$	$
Trade payables	**1,465,030**	274,124
Accrued liabilities	**251,622**	56,250
	1,716,652	330,374

11. Promissory notes payable

	June 30, 2020	December 31, 2019
	$	$
Opening balance	**-**	-
Additions – Venom Extracts acquisition	**430,550**	-
Interest expense	**50,000**	-
Repayments	**(39,000)**	-
Ending balance	**441,550**	-

Included in loans payable is a principal balance of $250,000 which bears interest at the rate of five percent (5%) per month, payable on the first day of the month, and is due on demand. At June 30, 2020, the total amount of principal and interest owing to the creditor is $300,000.

Included in loans payable is a principal balance of $163,428 which bears interest at the rate of three percent (3%) per annum and is due on demand. At June 30, 2020, the total amount of principal and interest owing to the creditor is $165,550.

12. Long-term debt

	June 30, 2020	December 31, 2019
	$	$
Vehicle loan:		
Opening balance	**13,614**	18,738
Additions	**23,364**	-
Repayments	**(3,009)**	(5,124)
	33,969	13,614
Mighty Meds consideration payable (Note 5):		
Opening balance	**104,014**	373,426
Repayments	**(15,000)**	(33,000)
Gain on modification of long-term debt	**-**	(256,076)
Accretion expense	**6,301**	19,664
	95,315	104,014
Total long-term debt	**129,284**	117,628
Less: current portion	**119,603**	109,138
Long-term debt	**9,681**	8,490

a) Vehicle loan:

During the year ended December 31, 2018, the Company financed the purchase of a vehicle used within the Company's procurement and sales activities. The vehicle cost $21,600 including applicable sales taxes and fees and was financed entirely by the seller (the "1st Vehicle Loan"). The 1st Vehicle Loan is repayable in monthly installments, financed at an annual percentage rate of 12.39%, and maturing on May 23, 2024.

The Company is in compliance with the scheduled payments. The 1st Vehicle Loan is personally guaranteed by the Company's CEO.

During the six months ended June 30, 2020, the Company financed the purchase of a vehicle used within the Company's procurement and sales activities. The vehicle cost $41,008 including applicable sales taxes and fees and was partially financed by the seller (the "2nd Vehicle Loan"). The 2nd Vehicle Loan is repayable in monthly installments, financed at an annual percentage rate of 5.89%, and maturing on June 6, 2024.

The Company is in compliance with the scheduled payments.

13. Lease liabilities

The following is a continuity schedule of lease liabilities for the six months ended June 30, 2020, and the year ended December 31, 2019:

	June 30, 2019	December 31, 2019
	$	$
Opening balance	**4,273,924**	64,184
IFRS 16 transition	**-**	4,563,095
Additions - Venom Extracts acquisition	**129,672**	-
Repayments	**(418,937)**	(810,568)
Finance costs	**219,861**	457,213
	4,204,520	4,273,924
Less: current portion	**810,721**	810,721
Long-term portion	**3,393,799**	3,463,203

Obligation under finance lease:

In addition to the facility lease, the Company's obligation under finance lease arises from the lease of various manufacturing equipment and is payable to a single commercial lessor for the lease of various manufacturing equipment under a single lease agreement with interest of approximately 2.3%, and a term of 37 months maturing in December 2021. On maturity of the finance lease, the Company has a purchase option to buy the equipment at fair market value. The finance lease is personally guaranteed by the Company's CEO.

As at June 30, 2020, the total undiscounted amount of the estimated future cash flows to settle the Company's obligation under finance lease over the remaining lease term is $45,521 (December 31, 2019 - $62,357).

During the three and six months ended June 30, 2020, the Company incurred finance costs of $2,814 and $5,970, respectively (2019 - $4,053 and $8,366, respectively) which represented interest expense implicit in the manufacturing equipment lease.

14. Consideration payable

	June 30, 2020	December 31, 2019
	$	$
Opening balance	**-**	-
Additions – Venom Extracts acquisition	**4,086,682**	-
Additions – AlphaMind acquisition	**258,807**	-
	4,345,489	-
Less: current portion	**-**	-
Long-term portion	**4,345,489**	-

15. Shareholders' equity

a) Authorized Share Capital

The authorized share capital of the Company consists of unlimited common shares without par value. All common shares of the Company were consolidated on a 1.5:1 basis immediately prior to listing on the CSE (Note 1).

As at June 30, 2020, 26,533,080 common shares were held in escrow (December 31, 2019 - 26,533,080).

b) Share Capital Transactions

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

- As part of the Venom Extracts Acquisition (note 4(b)), the Company issued 70,390,672 common shares of the Company with a fair value of $9,715,088 (CAD$14,078,134). As part of this acquisition, the Company issued 6,000,000 Finder Shares with a fair value of $828,100 (CAD$1,200,000).
- As part of the AlphaMind Acquisition (note 4(c)), the Company issued 4,200,000 common shares of the Company with a fair value of $603,882 (CAD$840,000).
- Issued 750,000 common shares for proceeds of $56,848 (CAD$78,750) for stock options exercised.
- Issued 166,666 common shares for proceeds of $12,633 (CAD$17,500) for warrants exercised.
- Issued 703,400 common shares for consulting and marketing agreements with a fair value of $62,075 (CAD$85,990).
- Issued 566,883 common shares for the repayment of $45,015 (CAD$62,357) debt.

During the year ended December 31, 2019, the Company completed the following transactions:

- During the period from January 1, 2019 to the completion of the Transaction (Note 1), Weldon issued 810,000 Units at $0.185 per Unit for proceeds of $150,000.
- The Company issued one common share on incorporation of the Company on April 17, 2019 for nominal proceeds, which was cancelled on August 28, 2019.
- The Company issued 32,400,000 common shares ("Seed Shares") for total proceeds of $271,197 (CAD$363,000).

c) Special Warrant Financing

During the year ended December 31, 2019, the Company completed the following transactions (there were no transactions during the six months ended June 30, 2020):

During July 2019, the Company completed a special warrant financing (the "Special Warrant Financing") comprising an aggregate of 41,297,373 Special Warrants (see Note 4) for aggregate gross proceeds of $3,313,616 (CAD$4,328,720) as follows:

i. On July 8, 2019, the Company completed an offering of 250,000 Special Warrants at a price of $0.057 (CAD$0.075) each for gross proceeds of $14,334 (CAD$18,750). These Special Warrants were deemed exercised into 250,000 common shares of the Company on November 9, 2019 in connection with closing of the Transaction which occurred on November 8, 2019 (Note 1).

ii. On July 11, 2019, the Company completed an offering of 41,047,373 Special Warrants at a price of $0.081 (CAD$0.105) each for gross proceeds of $3,299,282 (CAD$4,309,970). These Special Warrants were deemed exercised into 41,047,373 common shares of the Company on November 12, 2019 in connection with closing of the Transaction (Note 1).

In connection with the Special Warrant Financing, the Company paid or accrued $264,492 (CAD$350,698) in cash share issue costs including finder's fees, filing fees, administrative and other expenses, and legal fees. Additionally, the Company issued 2,873,313 finder's warrants with an aggregate fair value of $113,700. Each finder's warrant entitles the holder to acquire one common share of the Company at a price of CAD$0.105 per share until July 11, 2021.

15. Shareholders' equity (continued)

d) Warrants

The following is a continuity of the Company's warrants transactions, noting that Weldon did not issue any warrants prior to the Transaction (Note 1):

	Number of warrants	Weighted average exercise price
	#	$CAD
Balance, December 31, 2018	-	-
Issued	2,873,313	0.105
Balance, December 31, 2019	2,873,313	0.105
Exercised	(166,666)	0.105
Balance, June 30, 2020	2,706,647	0.105

As at June 30, 2020, the Company had the following warrants outstanding:

Date of expiry	Exercise price	Number of warrants	Weighted average life (years)
	$CAD	#	
July 11, 2021	0.105	2,706,647	1.03

e) Stock Options

The Company has a stock option plan for directors, employees, and consultants. The aggregate number of common shares issuable pursuant to stock options granted under the plan is 10% of the issued and outstanding common shares. The board of directors has the exclusive power over the granting of stock options, the exercise price and their vesting and cancellation provisions.

The following is a continuity of the Company's stock option transactions, noting that Weldon did not grant any stock options prior to the Transaction (Note 1):

	Number of stock options	Weighted average exercise price
	#	$CAD
Balance, December 31, 2018	-	-
Granted	8,266,666	0.110
Balance, December 31, 2019	8,266,666	0.110
Exercised	(750,000)	0.105
Balance, June 30, 2020	7,516,666	0.110

As at June 30, 2020, the Company had the following stock options outstanding:

Date of expiry	Exercise price	Number of stock options	Weighted average life (years)
	$CAD	#	
November 25, 2024	0.105	7,183,333	4.41
December 2, 2024	0.135	333,333	4.43
		7,516,666	4.41

16. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to maintain operations. The Board of Directors which comprises members of management, does not establish quantitative return on capital criteria, but rather relies on their expertise to sustain future development of the business. The Company defines capital that it manages as shareholders' equity.

The Company has historically relied on financing from the issuance of common shares, other arm's length financing arrangements, and the contributions of its officers to fund its activities. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the six months ended June 30, 2020.

17. Financial risk management and financial instruments

Fair value of financial instruments

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The carrying values of cash, receivables, prepaid expenses, inventory, accounts payable and accrued liabilities, deferred compensation payable, deferred revenue, promissory note and accounts payable to related parties approximate their respective fair values due to the short-term nature of these instruments. Long-term debt and lease obligations also approximate their respective fair values as these instruments are either discounted using market rates of interest or bear a market rate of interest.

Economic dependence

During the three and six months ended June 30, 2020 and 2019, the Company derived the following percentages of revenues from customers:

	Three months ended June 30,		**Six months ended June 30,**	
	2020	2019	**2020**	2019
	%	%	%	%
Customer 1	**14**	-	**16**	-
Customer 2	**7**	-	**7**	-
Customer 3	**6**	-	**6**	-
Customer 4	**1**	12	**2**	11
Customer 5	**-**	19	**-**	10
Customer 6	**-**	8	**-**	8
All others	**73**	61	**69**	71
	100	100	**100**	100

18. Related party transactions and balances

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers and directors of the Company. The remuneration of the Company's key management personnel during the three and six months ended June 30, 2020 and 2019 are as follows:

	Three months ended June 30,		**Six months ended June 30,**	
	2020	2019	**2020**	2019
	$	$	$	$
Management fees	**20,833**	37,500	**83,333**	87,500
Professional and consulting fees	**19,518**	-	**39,036**	-
	40,351	37,500	**122,369**	87,500

As at June 30, 2020, accounts payable to related parties totalled $122,695 (December 31, 2019 - $122,695). These amounts are unsecured, non-interest bearing and are due on demand.

19. Segmented information

Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources, and in assessing performance.

The following table presents the Company's operations by segment for the three months ended June 30, 2020:

	California	**Arizona**	**Corporate**	**Consolidated**
	$	$	$	$
Total revenue	370,477	8,105,725	-	**8,476,202**
Gross profit (loss)	(97,326)	1,608,912	-	**1,511,586**
Operating expenses:				
Administrative expenses	53,256	107,816	21,290	**182,362**
Accretion expense	3,151	-	-	**3,151**
Depreciation	17,304	34,650	-	**51,954**
Finance costs	105,459	4,720	-	**110,179**
Interest expense	-	37,500	-	**37,500**
Management fees	20,834	-	-	**20,834**
Salaries and wages	-	179,431	-	**179,431**
Marketing	5,922	268,026	104,782	**378,730**
Professional fees and consulting	39,517	79,356	119,667	**238,540**
Travel and meals	-	1,501	-	**1,501**
Net income (loss) before taxes	**(342,769)**	**895,912**	**(245,739)**	**307,404**

19. Segmented information (continued)

The following table presents the Company's operations by segment for the six months ended June 30, 2020:

	California	Arizona	Corporate	Consolidated
	$	$	$	$
Total revenue	651,862	8,773,238	-	**9,425,100**
Gross profit (loss)	(318,479)	1,545,196	-	**1,226,717**
Operating expenses:				
Transaction costs	-	-	828,100	**828,100**
Administrative expenses	98,991	112,490	64,045	**275,526**
Accretion expense	6,301	-	-	**6,301**
Depreciation	45,543	83,510	-	**129,053**
Finance costs	213,521	6,340	-	**219,861**
Interest expense	-	50,000	-	**50,000**
Management fees	83,333	-	-	**83,333**
Salaries and wages	-	179,431	-	**179,431**
Marketing	26,324	286,106	537,432	**849,862**
Professional fees and consulting	63,595	116,579	193,937	**374,111**
Travel and meals	-	1,501	-	**1,501**
Net income (loss) before taxes	**(856,087)**	**709,239**	**(1,623,514)**	**(1,770,362)**
As at June 30, 2020				
Assets	2,657,653	4,242,225	15,809,053	22,708,931
Liabilities	4,737,605	852,943	6,652,807	12,243,355

During the three and six months ended June 30, 2019, which was prior to the Transaction (Note 1), the Company operated as one segment, Weldon, which represents the California segment. As a result, all operating results for the three and six months ended June 30, 2019 and assets and liabilities as at June 30, 2019 are attributed to this segment.

20. Supplemental cash flow information

During the six months ended June 30, 2020 and 2019, the Company incurred non-cash investing and financing activities as follows:

	June 30, 2020	June 30, 2019
	$	$
Non-cash investing activities:		
Shares issued as consideration paid for Venom Extracts acquisition	**603,882**	-
Shares issued as Finder Shares	**9,715,088**	-
Shares issued as Finders Shares	**828,100**	-
Property and equipment depreciation included in inventory	**-**	49,033
Property and equipment additions - ROU asset (adoption of IFRS 16)	**-**	3,987,858
Non-cash financing activities:		
Lease liability - ROU asset (adoption of IFRS 16)	**-**	4,563,095

20. Supplemental cash flow information (continued)

During the three and six months ended June 30, 2020, the Company paid $nil and $nil, respectively (2019 - $nil and $nil, respectively) in interest expense, and $nil and $nil, respectively (2019 - $nil and $nil, respectively) for income tax expense.

21. Subsequent events

On July 2, 2020, the Company announced that it intends to complete a non-brokered private placement financing of up to 17,647,059 units (the “Units” and each individually, a “Unit”). Each Unit is comprised of one common share at a price of $0.085 per common share and one common share purchase warrant entitling the holder to acquire one additional common share at an exercise price of $0.10 per common share for a period of 24 months from the closing date, for gross proceeds of up to $1,500,000 (the “Offering”).The Offering is expected to close on or about July 10, 2020. Finder’s fees may be paid to eligible finders in accordance with the policies of the CSE.