

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: LUFF Enterprises Ltd. (formerly Ascent Industries Corp.) (the "Issuer")

Trading Symbol: LUFF

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

Unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020, as filed with the securities regulatory authorities are attached to this Form 5 as Appendix "A".

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

All related party transactions have been disclosed in the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020. Please refer to Note 21 to the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2020, attached hereto as Appendix "A". For information supplementary to that contained in the notes to the unaudited condensed consolidated interim financial statements with respect to related party transactions, please refer to the Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2020, as filed with the securities regulatory authorities and attached to this Form 5 as Appendix "B".

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

All securities issued and options granted, if any, by the Issuer have been disclosed in the Issuer's financial statement notes for the interim period ended March 31, 2020.

(a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
March 3, 2020	Common shares	Common shares issued March 3, 2020, pursuant to final settlement of Affected Creditor claims under CCAA proceedings	35,572,372	\$0.025	N/A	Settlement of Creditor Claims Under CCAA Proceedings	Unrelated	Nil

(b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant
No Incentive Stock Options Were Granted During the Period of January 1, 2020, to March 31, 2020						

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

Description	Number Authorized	Par Value
Common Shares	Unlimited	NPV

- (b) number and recorded value for shares issued and outstanding,

Description	Number Issued and Outstanding	Value
Common Shares	355,723,829	\$71,402,754

- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Description	Number Outstanding	Exercise Price	Expiry Date
Stock Options	Nil	N/A	N/A
TOTAL	Nil		

Description	Number Outstanding	Exercise Price	Expiry Date
Share Purchase Warrants	30,660,407	\$0.50	June 19, 2020
Share Purchase Warrants	46,789,000	\$0.60	June 21, 2020
Share Purchase Warrants	7,996,001	\$0.60	July 24, 2020
TOTAL:	85,445,408		

- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

Description	Number	Number Released During the Period
Escrowed Shares	N/A	N/A

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Position
Jeremy South	Chairman
Phillip Campbell	Chief Executive Officer and Director
Mark Lotz	Chief Financial Officer and Director
David Hurford	Director

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2020, attached to this Form 5 as Appendix "B".

Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: June 4, 2020

Mark Lotz
Name of Director or Senior Officer

/s/ Mark Lotz
Signature

Chief Financial Officer
Official Capacity

Issuer Details Name of Issuer LUFF Enterprises Ltd.	For Quarter Ended March 31, 2020	Date of Report YYYY/MM/DD 2020/06/04
Issuer Address Suite 800, 543 Granville Street		
City/Province/Postal Code Vancouver, British Columbia, V6C 1X8	Issuer Fax No. Not Applicable	Issuer Telephone No. 778-819-0326
Contact Name Mark Lotz	Contact Position Chief Financial Officer	Contact Telephone No. 604-880-6546
Contact Email Address Mark.Lotz@AscentIndustries.com	Web Site Address www.luffbrands.com	

Appendix "A"

LUFF ENTERPRISES LTD.
(formerly Ascent Industries Corp.)

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2020 and 2019

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed consolidated interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of unaudited condensed consolidated interim financial statements and are in accordance with International Accounting Standard 34 - Interim Financial Reporting.

The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
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(Expressed in Canadian Dollars)
Three Months Ended March 31, 2020 and 2019

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LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at March 31, 2020 and December 31, 2019

	March 31 2020	December 31 2019
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 1,819,505	\$ 3,993,021
Trade and other receivables (Note 6)	745,944	746,877
Prepaid expenses (Note 7)	89,327	72,030
Investments (Note 8)	376,502	376,502
	3,031,278	5,188,430
PROPERTY, PLANT AND EQUIPMENT (Net of accumulated amortization) (Note 9)	7,165,315	7,368,860
INTANGIBLE ASSETS (Note 10)	1,061,995	1,056,087
LOANS AND NOTES RECEIVABLE (Note 11)	727,925	-
RIGHT-OF-USE ASSET (Note 12)	-	52,020
	\$ 11,986,513	\$ 13,665,397
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Trade and other payables	\$ 276,301	\$ 413,888
RIGHT-OF-USE LEASE (Note 12)	-	49,479
	276,301	463,367
SHAREHOLDERS' EQUITY		
Share capital (Note 16)	71,402,754	70,513,435
Contributed surplus	1,572,639	1,572,639
Accumulated other comprehensive income	(28,280)	(311,456)
Share-based reserve (Note 18)	1,241,312	1,241,312
Deficit	(62,478,214)	(59,813,910)
	11,710,211	13,202,030
	\$ 11,986,513	\$ 13,665,397
ON BEHALF OF THE BOARD		
"Philip Campbell"	Director	
"Mark Lotz"	Director	

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF OPERATIONS
(Expressed in Canadian Dollars)
Three Months Ended March 31, 2020 and 2019

	2020	2019
REVENUE	\$ 5,068	\$ 435,234
COST OF SALES	<u>1,015</u>	<u>758,418</u>
GROSS MARGIN BEFORE FAIR VALUE ADJUSTMENTS	4,053	(323,184)
	<u>-</u>	<u>-</u>
GROSS MARGIN AFTER FAIR VALUE ADJUSTMENTS	<u>4,053</u>	<u>(323,184)</u>
EXPENSES		
General and administration	1,521,007	2,590,227
Selling and marketing	-	539,532
Depreciation and amortization	202,374	202,247
Research and development	-	191,803
	<u>1,723,381</u>	<u>3,523,809</u>
LOSS FROM OPERATIONS	<u>(1,719,328)</u>	<u>(3,846,993)</u>
OTHER EXPENSES		
Gain on sale of Canadian assets <i>(Note 3)</i>	-	2,915,810
Loss on disposal of assets <i>(Note 4)</i>	-	(132,891)
CCAA settlement <i>(Note 5)</i>	(956,425)	-
Interest and other	11,449	(1,478,994)
	<u>(944,976)</u>	<u>1,303,925</u>
LOSS BEFORE INCOME TAXES AND COMPREHENSIVE INCOME	(2,664,304)	(2,543,068)
INCOME TAXES	<u>-</u>	<u>11,653</u>
NET LOSS	<u>(2,664,304)</u>	<u>(2,554,721)</u>
COMPREHENSIVE INCOME		
Currency translation adjustment	105,176	(702,424)
	<u>105,176</u>	<u>(702,424)</u>
COMPREHENSIVE LOSS	<u>\$ (2,559,128)</u>	<u>\$ (3,257,145)</u>
EARNINGS PER SHARE	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>331,096,802</u>	<u>320,151,457</u>

The accompanying notes are an integral part of these Financial Statements

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2020 and periods ended December 31, 2019 and 2018

	Common shares	Common shares to be issued	Contributed surplus	Accumulated other comprehensive income	Share-based reserve	Deficit	Total equity
As at June 1, 2018	\$ 31,576,460	\$ 8,673,862	\$ 1,572,639	\$ 23,671	\$ 507,151	\$ (20,299,670)	\$ 22,054,113
Exercise of warrants (for private placement A)	916,667	-	-	-	-	-	916,667
Exercise of warrants (for private placement D)	1,970,232	298,597	-	-	-	-	2,268,829
Shares issued in Paget Minerals reverse takeover	3,796,748	-	-	-	-	-	3,796,748
Shares issued through public offering	19,234,200	-	-	-	-	-	19,234,200
Shares issued for private placement D	12,000,000	(8,673,862)	-	-	-	-	3,326,138
Shares issued for finders fees	204,163	-	-	-	-	-	204,163
Shares issued for equipment	621,647	-	-	-	-	-	621,647
Shares issued for service	271,200	-	-	-	-	-	271,200
Shares issued as a deposit for property	1,150,000	-	-	-	-	-	1,150,000
Shares issued in First Circle acquisition	225,000	250,000	-	-	-	-	475,000
Shares issued for compensation	-	-	-	-	734,161	-	734,161
Share issuance costs	(1,751,469)	-	-	-	-	-	(1,751,469)
Foreign currency reserve	-	-	-	(220,978)	-	-	(220,978)
Net loss for the year	-	-	-	-	-	(17,367,855)	(17,367,855)
As at December 31, 2018	\$ 70,214,848	\$ 548,597	\$ 1,572,639	\$ (197,307)	\$ 1,241,312	\$ (37,667,525)	\$ 35,712,564
As at January 1, 2019	\$ 70,214,848	\$ 548,597	\$ 1,572,639	\$ (197,307)	\$ 1,241,312	\$ (37,667,525)	\$ 35,712,564
Shares issued	298,597	(298,597)	-	-	-	-	-
Shares written off	-	(250,000)	-	-	-	250,000	-
Foreign currency reserve	-	-	-	(114,149)	-	-	(114,149)
Net loss for the year	-	-	-	-	-	(22,396,385)	(22,396,385)
As at December 31, 2019	70,513,445	-	1,572,639	(311,456)	1,241,312	(59,813,910)	13,202,030
As at January 1, 2020	70,513,445	-	1,572,639	311,456	1,241,312	(59,813,910)	13,202,030
Shares issued for debt	889,309	-	-	-	-	-	889,309
Foreign currency reserve	-	-	-	283,176	-	-	283,176
Net loss for the period	-	-	-	-	-	(2,664,304)	(2,664,304)
As at March 31, 2020	\$ 71,402,754	\$ -	\$ 1,572,639	\$ (28,280)	\$ 1,241,312	\$ (62,478,214)	\$ 11,710,211

The accompanying notes are an integral part of these Financial Statements

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW
(Expressed in Canadian Dollars)
Three Months Ended March 31, 2020 and 2019

	2020	2019
OPERATING ACTIVITIES		
Net loss for the period	\$ (2,664,304)	\$ (2,554,721)
Items not affecting cash:		
Depreciation and amortization	202,374	202,247
Gain on sale of Canadian assets (Note 3)	-	(2,915,810)
Loss on disposal of assets (Note 4)	-	129,439
CCAA settlement (Note 5)	956,425	-
Accumulated other comprehensive gain	-	204,215
	<u>(1,505,505)</u>	<u>(4,934,630)</u>
Changes in non-cash working capital:		
Trade and other receivables	933	(19,203,756)
Inventory	-	378,798
Trade and other payables	(94,225)	334,486
Prepaid expenses	(10,093)	987,678
Commission payable	-	978,840
	<u>(103,385)</u>	<u>(16,523,954)</u>
Cash flow used by operating activities	<u>(1,608,890)</u>	<u>(21,458,584)</u>
INVESTING ACTIVITIES		
Proceeds from intangible assets	-	3,218,427
Note receivable from related party	(727,925)	-
Cash flow from (used by) investing activities	<u>(727,925)</u>	<u>3,218,427</u>
FINANCING ACTIVITIES		
Advances from (payments to) related parties	(1,049,834)	18,107,520
Change in right-of-use asset and liability	2,541	-
Cash flow from (used by) financing activities	<u>(1,047,293)</u>	<u>18,107,520</u>
OTHER CASH FLOW ITEMS		
Effect of exchange rate change on cash	1,210,592	39,221
DECREASE IN CASH	(2,173,516)	(93,416)
CASH AND CASH EQUIVALENT - BEGINNING OF PERIOD	3,993,021	1,339,027
CASH AND CASH EQUIVALENT - END OF PERIOD	\$ 1,819,505	\$ 1,245,611

Refer to Note 19 for additional information on cash flow.

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
Three Months Ended March 31, 2020 and 2019

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the Business Corporations Act (British Columbia) on May 30, 2013 under the name Ascent Industries Corp. (“Ascent”). On May 15, 2020 the Company changed its name to LUFF ENTERPRISES LTD. (“Luff”). The Company’s head office and principal address is located at Suite 800 – 543 Granville Street, Vancouver, BC V6C 1X8.

The condensed consolidated interim financial statements as at and for the 3 months ended March 31, 2020 should be read in conjunction with the condensed consolidated financial statements for the year ended December 31, 2019.

The Company’s primary activities relate to cannabis processing, production, research, product and brand development, and distribution.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. In the three months ended March 31, 2020 the Company has generated \$5,068 in revenues from operations and incurred a net loss of \$(2,664,304). As of March 31, 2020 the Company had an accumulated deficit of \$62,478,214.

In the year ended December 31, 2019, the Company defaulted on certain debts and failed to secure proper licensing in Canada to produce and sell cannabis and cannabis related products. These events have substantially restricted access to continue operations and, as a result, the Company filed for protection under the Companies’ Creditors Arrangement Act (the “CCAA”). Effective May 26, 2020 the Company was discharged from this process, having settled with all claimants.

The Company through its subsidiaries owns the assets related to cannabis cultivation, production, distribution, research and product development business outside of Canada in Oregon and Nevada. On March 14, 2019 the Company, together with its subsidiaries Agrima Botanicals Corp., Bloom Holdings Ltd., Bloom Meadows Corp., Pinecone Products Ltd., and Agrima Scientific Corp. (collectively, the “Vendors”) sold substantially all of the assets comprising the Canadian business of the Vendors for cash and the assumption of debts related to the sold assets including a greenhouse located in Pitt Meadows, British Columbia.

The Company has historically financed its working capital requirements primarily through equity and debt financing. The Company’s ability to continue as a going concern is dependent upon its ability to commence profitable operations in Oregon and generate funds therefrom or raise additional financing in order to meet current and future obligations. While the Company has been successful in raising financing in the past, there is no assurance that it will be able to obtain additional financing or that such financing will be available on reasonable terms once it leaves CCAA protection. These conditions combined with the accumulated losses to date indicate the existence of a material uncertainty that may cast doubt on the Company’s ability to continue as a going concern.

These condensed consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
Three Months Ended March 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance and basis of presentation

These condensed consolidated interim financial statements for the three months ended March 31, 2020 have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the IASB.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 21, 2020.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the consolidated financial statements as at and for the year ended December 31, 2019.

(b) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Agrima Botanicals Corp., Bloom Holdings Ltd., Bloom Meadows Corp., Pinecone Products Ltd., Agrima Scientific Corp., Azeha Holdings Ltd., Agrima Botanicals ApS (Denmark), West Fork Holdings Inc., West Fork Holdings NV Inc., Sweet Cannabis Inc., Luff Enterprises LLC., Sweet Cannabis NV Inc., Luff Enterprises NV Inc., AIC Health Winnipeg Corp., AIC Health Winnipeg Wellness Corp., and AIC Health Services Corp. All significant inter-company balances and transactions have been eliminated on consolidation.

3. SALE OF CANADIAN OPERATING ASSETS

Effective April 8, 2019 and pursuant to an order issued by the Supreme Court of British Columbia on March 25, 2019, the Company sold the Pitt Meadows facility, the Maple Ridge facility and a lease contract to BZAM Management Inc. and subsequently commenced the winding up of its Canadian operations.

The consideration was allocated as follows:

<u>Sale of assets</u>	
Gross consideration	\$ 19,152,056
Less commission	(978,840)
Inventory	(541,877)
Prepays	(103,221)
Deposits and Construction in progress	(14,432,232)
Property, Plant & Equipment	(10,674,398)
Assumption of long-term debt	8,518,259
Assumption of derivative debt	1,976,063
	\$ 2,915,810

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
Three Months Ended March 31, 2020 and 2019

4. LOSS ON WRITE-DOWN OF ASSETS

The Company recorded a loss on the write-down of its assets in Canada and Denmark which were deemed to have no value, in the total amount of \$5,952,843. See Note 13: Intangible Assets.

5. CCAA SETTLEMENT

On March 1, 2019, by order of the Supreme Court of British Columbia, Ascent Industries Corp. along with the wholly owned subsidiaries, Agrima Botanicals Corp., Bloom Holdings Ltd., Bloom Meadows Corp., Pinecone Products Ltd., Agrima Scientific Corp., and West Fork Holdings NV Inc. (the "Petitioners") were granted protection under CCAA from its creditors under Vancouver Registry No. S-192188. Ernst & Young Inc. was appointed as Monitor of the Petitioners.

On December 19, 2019, by order of the Supreme Court of British Columbia, the Company settled outstanding claims in the amount of \$17,344,083 pursuant to the Plan of Compromise and Arrangement. The allowable claims were segregated into two classes:

- (i) the unaffected claims: claims below \$11,100 and paid in full;
- (ii) the affected claims: claims affected by the compromise - 51% of the original allowed amount paid.

In addition to the cash settlement of \$9,361,913 paid in final settlement, Company issued the affected claimants the 35,572, 372 common shares with an aggregate value of \$889,309 to eligible affected shareholders on March 03, 2020.

The Company recorded a loss on its settlement with CCAA in the amount of \$5,280,251.

On March 6, 2020, the Company announced that it had implemented its first amended and restated consolidated plan of compromise, arrangement and organization (the "Plan") under the Companies' Creditors Arrangement Act ("CCAA"). Distributions under the Plan, as well as the issuance of common shares of Ascent that were to be issued pursuant to the terms of the Plan, have been completed. The stay of proceedings expired on March 6, 2020 and the Company's CCAA proceedings concluded upon expiry of the stay.

6. TRADE AND OTHER RECEIVABLES

	March 31 2020	December 31 2019
Trade receivables	\$ -	\$ -
GST recoverable	745,944	746,877
	\$ 745,944	\$ 746,877

During the three months ended March 31, 2020 or the year ended December 31, 2019 no bad debt expense was recognized.

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
Three Months Ended March 31, 2020 and 2019

7. PREPAID EXPENSES

	March 31 2020	December 31 2019
Prepaid vendors	\$ 13,965	\$ 14,295
Deposits	63,064	57,735
Prepaid rent	12,298	-
	\$ 89,327	\$ 72,030

8. INVESTMENTS

During the year ended May 31, 2018, the Company invested in Enhanced Pet Sciences Corp., a privately held, startup company that is developing pet food products incorporating cannabinoid extracts. The Company does not have significant influence or control over the investee. The investee is privately held and there is no quoted market price for its common shares.

During the period ended December 31, 2018, the Company acquired an investment in Sebastiani Ventures Corp, a publicly traded company previously held by Paget Minerals Corp. The Company does not have significant influence or control over the investee.

	March 31, 2020	December 31, 2019
Enhanced Pet Sciences Corp.	\$ 360,000	\$ 360,000
Sebastiani Ventures Corp.	16,502	16,502
	\$ 376,502	\$ 376,502

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
Three Months Ended March 31, 2020 and 2019

9. PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION IN PROGRESS AND RIGHT OF USE ASSETS

<u>Cost</u>	December 31, 2019		Adjustments and Disposal	March 31 2020 Balance
	Balance	Additions		
Construction in progress	\$ -	\$ -	\$ -	\$ -
Land	667,177	-	1,018	666,159
Buildings	4,308,175	-	6,573	4,301,602
Computer equipment	71,211	3,157	230	74,138
Wireless network	-	-	-	-
Software	7,157	-	11	7,146
Mobile equipment	33,000	-	51	32,949
Furniture and fixtures	52,733	-	80	52,653
Security fencing and equipment	185,642	-	283	185,359
Tools and equipment	1,114,513	-	1,114,513	-
Leasehold improvements	2,359,348	-	3,600	2,355,748
New groundwork	-	-	-	-
Agriculture and lab equipment	223,818	-	(1,112,471)	1,336,289
Right-of-use assets	244,589	-	244,589	-
	\$ 9,267,363	\$ 3,157	\$ 258,477	\$ 9,012,043

<u>Accumulated Amortization</u>	December 31 2019		Disposals and Transfers	March 31 2020 Balance
	Balance	Amortization		
Construction in progress	\$ -	\$ -	\$ -	\$ -
Buildings	(224,384)	(26,543)	-	(250,927)
Computer equipment	(44,850)	(5,983)	-	(50,833)
Software	(3,877)	(590)	-	(4,467)
Mobile equipment	(17,875)	(2,032)	-	(19,907)
Furniture and fixtures	(20,191)	(2,601)	-	(22,792)
Security fencing and equipment	(111,119)	(14,532)	-	(125,651)
Tools and equipment	(570,426)	-	(570,426)	-
Leasehold improvements	(543,044)	(58,065)	-	(601,109)
New groundwork	-	-	-	-
Agriculture and lab equipment	(118,149)	(82,467)	570,426	(771,042)
Right-of-use assets	(192,569)	-	(192,569)	-
	\$ 1,846,484	\$ 192,813	\$ (192,569)	\$ (1,846,728)

(continues)

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
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9. PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION IN PROGRESS AND RIGHT OF USE ASSETS *(continued)*

<u>Cost</u>	December 31 2018			December 31 2019
	Balance	Additions	Disposals	Balance
Construction in progress	6,361,671	-	(6,361,671)	-
Land	1,321,159	-	(653,982)	667,177
Buildings	9,416,042	-	(5,107,867)	4,308,175
Computer equipment	504,840	-	(433,629)	71,211
Wireless network	87,003	-	(87,003)	-
Software	42,317	-	(9,317)	33,000
Mobile equipment	77,815	-	(42,019)	35,796
Furniture and fixtures	345,705	-	(292,972)	52,733
Security fencing and equipment	609,038	-	(452,035)	157,003
Tools and equipment	2,122,614	-	(790,806)	1,331,808
Leasehold improvements	3,835,024	-	(1,475,676)	2,359,348
New groundwork	133,182	-	(133,182)	-
Agriculture and lab equipment	2,896,968	-	(2,890,445)	6,523
Right-of-use assets	-	244,589	-	244,589
	<u>27,753,378</u>	<u>244,589</u>	<u>(18,730,604)</u>	<u>9,267,363</u>
	December 31 2018			December 31 2019
	Balance	Amortization	Disposals	Balance
Buildings	\$ (922,308)	\$ (137,910)	\$ 835,834	\$ (224,384)
Computer equipment	(192,991)	(30,394)	178,535	(44,850)
Wireless network	(87,003)	-	87,003	-
Software	(23,440)	(11,444)	17,009	(17,875)
Mobile equipment	(39,364)	(11,459)	39,290	(11,533)
Furniture and fixtures	(177,339)	(13,505)	170,653	(20,191)
Security fencing and equipment	(190,316)	(67,012)	153,865	(103,463)
Tools and equipment	(489,541)	(233,760)	38,124	(685,177)
Leasehold improvements	(398,687)	(302,103)	157,746	(543,044)
New groundwork	(68,225)	-	68,225	-
Agriculture and lab equipment	(1,415,486)	(2,088)	1,414,176	(3,398)
Right-of-use assets	-	(192,569)	-	(192,569)
	<u>\$ (4,004,700)</u>	<u>\$ (1,002,244)</u>	<u>\$ 3,160,460</u>	<u>\$ (1,846,484)</u>

(continues)

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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9. PROPERTY, PLANT AND EQUIPMENT, CONSTRUCTION IN PROGRESS AND RIGHT OF USE ASSETS *(continued)*

<u>Net book value</u>	March 31 2019	December 31 2019
Land	\$ 666,159	\$ 667,177
Buildings	4,050,674	4,083,791
Computer equipment	23,305	26,361
Wireless network	-	-
Software	2,679	15,125
Mobile equipment	13,042	24,263
Furniture and fixtures	29,861	32,542
Security fencing and equipment	59,708	53,540
Tools and equipment	-	646,631
Leasehold improvements	1,754,639	1,816,304
Agriculture and lab equipment	565,247	3,125
Right-of-use assets	-	52,020
	\$ 7,165,315	\$ 7,420,880

10. INTANGIBLE ASSETS

	March 31 2020	December 31 2019
Licenses	\$ 1,111,707	\$ 1,105,799
Accumulated amortization	(49,712)	(49,712)
	\$ 1,061,995	\$ 1,056,087

Amortization expense of \$nil was recorded in the three months ended March 31, 2020 and in the year ended December 31, 2019.

11. LOAN RECEIVABLE

On January 28, 2020 the Company entered into a secured loan agreement with Enhanced Pet Sciences Corp for US\$500,000. The loan bears interest at 8% per annum and is due on December 31, 2020. The principals of the borrower have provided guarantees and have provided collateral security.

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12. OBLIGATIONS UNDER RIGHT-OF-USE LEASE

	March 31 2020	December 31 2019
Lease liabilities on buildings bearing interest at 5.70% per annum, due in 2020 and in 2021	\$ -	\$ 49,479
	-	49,479
Amounts payable within one year	\$ -	-
	\$ -	\$ 49,479

13. SHORT TERM DEBT PAYABLE

A wholly owned subsidiary of the Company had a mortgage on its property in Maple Ridge, BC. The initial mortgage amount was for \$1,800,000 for a two-year period beginning January 1, 2016 bearing interest at 8.5% per annum compounded monthly. The mortgage was renewed for a one-year term on January 1, 2018 for the principal outstanding of \$1,754,546 with the same interest rate of 8.5% per annum compounded monthly, requiring monthly interest payments of \$14,494. The short term debt payable at December 31, 2018 was \$1,731,003. The mortgage was disposed of in the course of the asset sale in 2019 (Note 4).

14. ACQUISITION

On June 26, 2018, the Company completed the acquisition of the net assets of First Circle Medical Pharmacy and Clinic pursuant to a Purchase Agreement (the "Agreement") dated June 26, 2018, for a total consideration of \$1,250,000. First Circle Medical Pharmacy and Clinic is focused on providing multidisciplinary, patient-centric, full-service health care to patients in Canada. The transaction was accounted for as a business combination.

Consideration

Cash paid at closing	\$ 275,000
Common shares issued	225,000
Performance milestones achieved	
Common shares to be issued	250,000
Contingent consideration	<u>500,000</u>
	<u>\$ 1,250,000</u>

Contingent consideration represents the amount estimated to be paid out over a 12-month period on achievement of future performance milestones related to cumulative successful patient referrals and cumulative patients ordering medicine through the telemedicine services of the Clinics.

This consideration is to be satisfied based on four individual milestones, each resulting in issuance of \$250,000 of Ascent Industries Corp. Common Shares, with the fair value being determined based on management's assessment of the profitability of each milestone being achieved. The issuance of the Company's shares should not result in former First Circle Medical Pharmacy and Clinic shareholders accumulating 50% or more of the Company's shares.

(continues)

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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14. ACQUISITION *(continued)*

\$

Consideration

During the period ended December 31, 2018, the first milestone was achieved for closing of the purchase. The Company has not issued the shares and thus has recorded \$250,000 in Common shares to be issued. AS a result of the Health Canada actions, the First Circle Medical Pharmacy did not achieve the milestones in the terms to the agreement. The right to the contingent consideration lapsed as a result, so the shares were cancelled and the contingent consideration reversed.

All common shares issued were accounted for at fair value at the dates of issuance.

The fair value of the assets and liabilities acquired was as follows:

<u>Allocation</u>	
Inventory	\$ 42,000
Equipment	35,000
Leasehold improvements	100,000
Goodwill	1,073,000
	\$ 1,250,000

For the period ended December 31, 2018, First Circle Medical Pharmacy and Clinic accounted for \$1,241,990 in net loss since June 28, 2018 which includes a goodwill impairment of \$1,073,000.

In the year 2019 it accounted for \$118,801 of the loss, settled through the CCAA process (Note 5).

15. LONG TERM LIABILITIES

Effective May 29, 2017 and as amended July 26, 2018, a wholly-owned subsidiary of the Company has an 8.0% interest only mortgage on its Las Vegas, NV property. The aggregate amount of the mortgage is \$4,000,000 and was due in 2019. This mortgage is secured against the Las Vegas property and the Maple Ridge property. There is a conversion privilege at the option of the lender, in whole or in part at any time during the term into common shares of the Company at \$0.35 per share, and a prepayment right exercisable by the Company should there be an offering of shares or merger type transaction, at a share price of at least \$1.00. The conversion privilege contains a price adjustment clause in the event of any future financing at a price of less than \$0.35 per common share. As the conversion price can be amended, the conversion feature failed the 'fixed-for-fixed' criteria and was classified as a derivative liability with a fair value of \$357,445 at the date of issuance. The conversion feature was valued using a binomial model on the issuance date and remeasured to fair value at December 31, 2018 with the following assumptions:

December 31, 2018

1. Exercise price: \$0.35
2. Time to maturity: 1 year
3. Risk-free rate: 1.64%
4. Volatility: 70%
5. Dividend rate: nil

(continues)

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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15. LONG TERM LIABILITIES *(continued)*

<u>Derivative liability</u>	
Balance June 1, 2018	\$ 875,695
Change in fair value	<u>1,100,368</u>
Balance December 31, 2018	1,976,063
Settled as part of the CCAA process (Note 5)	<u>(1,976,063)</u>
	<u>\$ -</u>

<u>Loan payable</u>	
Balance June 1, 2018	\$ 3,821,278
Add: Accretion interest	<u>74,467</u>
Balance December 31, 2018	3,895,745
Settled as part of the CCAA process (Note 5)	<u>(3,895,745)</u>
	<u>\$ -</u>

16. SHARE CAPITAL

Authorized:

Unlimited Common shares with no par value
 Unlimited Preferred shares with no par value

	March 31 2020	December 31 2019
Issued:		
355,723,829 Common shares	<u>\$ 71,402,754</u>	\$ 70,513,445

At March 31, 2020, there were 355,723,829 issued and fully paid common shares (December 31, 2019 - 320,151,457).

On March 3, 2020 the Company issued 35,572,372 common shares at a price of \$0.025 per share under the Plan of Compromise, Arrangement and Reorganization (Note 5).

17. SHARE PURCHASE WARRANTS

Balance May 31, 2018	12,500,000	\$ 0.250
Expired	(12,000,000)	0.250
Issued	2,885,130	0.400
Issued	33,493,741	0.500
Issued	56,581,500	0.600
Exercised	(51,796)	0.400
Exercised	(2,833,334)	0.500
Exercised	<u>(1,796,499)</u>	0.600
Balance December 31, 2018	88,778,742	0.250
Expired	<u>(500,000)</u>	0.600
Balance March 31, 2020 and December 31, 2019	<u>88,278,742</u>	<u>\$ 0.550</u>

(continues)

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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17. SHARE PURCHASE WARRANTS *(continued)*

During the year ended December 31, 2019, 500,000 warrants at a deemed exercise price of \$0.60 expired.

The following table summarizes the warrants that remain outstanding as at March 31, 2020:

Exercise Price	Number of Warrants	Expiry Date
0.500	30,660,407	June 19, 2020
0.600	46,789,000	June 21, 2020
0.600	7,996,001	July 24, 2020
	88,278,742	

Not all common shares issuable on exercise of these warrants have yet been issued, and accordingly, these have been reflected as common shares to be issued on the statement of changes of shareholders' equity.

18. SHARE-BASED COMPENSATION

During the year ended May 31, 2018, the shareholders of the Company approved a Stock Option Plan to attract and retain directors, employees, officers and consultants for contributions towards the long-term goals of the Company.

The Company recorded \$nil for the period ended December 31, 2019 (\$734,161 in the seven months ended December 31, 2018) in share-based compensation expense related to options.

At May 31, 2018, the weighed average exercise price of options outstanding was \$0.40 and the weighed average remaining contractual life was 3.68 years based on a vesting period of four years.

At December 31, 2018, the weighed average exercise price of options outstanding was \$0.40 and the weighed average remaining contractual life was 4.10 years based on vesting periods of four to five years.

In the year ended December 31, 2019, all stock options expired or were cancelled when staff was terminated.

Balance June 1, 2017	Nil		Nil
Options granted	12,470,000	\$	0.40
Balance May 31, 2018	12,470,000		0.40
Options granted	50,000		0.40
Options granted	1,648,750		0.40
Options granted	600,000		0.40
Options forfeited/cancelled	(6,161,468)		0.40
Balance December 31, 2018	8,607,282	\$	0.40
Options cancelled	(8,607,282)		(0.40)
Balance March 31, 2020 and December 31, 2019	Nil		

(continues)

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
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18. SHARE-BASED COMPENSATION *(continued)*

In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted during the year ended December 31, 2018 by applying the following assumptions:

Risk-free interest rate	1.93% - 2.04%
Expected life of options (years)	5
Expected annualized volatility	75%
Expected dividend yield	Nil
Weighted average Black-Scholes value of each option	\$0.2400 - 0.5359

Volatility was established by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history.

19. SUPPLEMENTAL CASH FLOW INFORMATION

During the period ended December 31, 2018, 1,412,152 shares were issued for consideration of \$621,647 to be used for the purchase of equipment; 664,366 shares were issued for consideration of \$271,200 to be used for settlement of services provided; 562,500 shares were issued for \$225,000 for consideration in the acquisition of First Circle Medical Clinic Ltd.; and 3,194,445 shares and warrants were issued for \$1,150,000 for consideration for acquisition of properties in Pitt Meadows.

During the year ended December 31, 2019, obligation to issue shares in the First Circle Medical Pharmacy and Clinic acquisition was reversed in the amount of \$250,000; exercise of warrants related to same acquisition was reversed in the amount of \$298,597; and income taxes were paid in the amount of \$2,154.

On March 3, 2020 the Company issued 35,572,372 common shares having an inferred value of \$889,309 in relation to the final settlement of Affected Creditor claims under CCAA proceedings.

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NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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20. SEGMENTED INFORMATION

	Cannabis	Other	Total
For the three months ended March 31, 2020			
Revenue	\$ 5,068	\$ -	\$ 5,068
Gross profit (loss)	4,053	-	4,053
Income (loss) from operations	(688,324)	(1,031,005)	(1,719,329)
Net income (loss)	(1,375,930)	(1,228,374)	(2,664,304)
For the year ended December 31, 2019			
Revenue	\$ 744,040	\$ -	\$ 744,040
Gross profit (loss)	(1,004,928)	-	(1,004,928)
Income (loss) from operations	(10,974,818)	-	(10,974,818)
Net income (loss)	(10,974,818)	(11,421,566)	(22,396,384)
As at March 31, 2020			
Total assets	\$ 8,419,053	\$ 3,567,460	\$ 11,986,513
Total liabilities	18,226	258,075	276,301
As at December 31, 2019			
Total assets	\$ 8,681,590	\$ 4,983,804	\$ 13,665,394
Total liabilities	30,611	432,751	463,362

The Company generates revenue in two geographical locations: Canada and the USA. All revenues during the three months ended March 31, 2020 and the year ended December 31, 2019 were generated in Canada and the USA and all material assets and liabilities were located in Canada and the USA.

	Canada	USA	Total
For the three months ended March 31, 2020			
Revenue	-	5,068	5,068
Gross profit (loss)	-	4,053	4,053
Income (loss) from operations	(1,031,005)	(688,324)	(1,719,329)
Net income (loss)	(1,288,374)	(1,375,930)	(2,664,304)
For the period ended December 31, 2019			
Revenue	\$ -	\$ 744,040	\$ 744,040
Gross profit (loss)	-	(1,004,928)	(1,004,928)
Income (loss) from operations	(6,894,790)	(4,080,028)	(10,974,818)
Net income (loss)	(17,628,880)	(4,767,504)	(22,396,384)
As at March 31, 2020			
Total assets	\$ 3,567,460	\$ 8,419,053	\$ 11,986,513
Total liabilities	258,075	18,226	276,301
As at December 31, 2019			
Total assets	\$ 2,389,745	\$ 11,275,649	\$ 13,665,394
Total liabilities	383,272	80,095	463,367

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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21. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its wholly owned and controlled subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below:

	3 months ended March 31 2020	Year ended December 31 2019
Received from company connected to directors and shareholders of Ascent Industries Corp.	\$ -	\$ -
Key Employees (Management)		
Salaries and benefits	\$ -	\$ 200,000
Share-based payments	-	-
Management fees to the CFO	50,012	200,046

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

22. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and to maintain adequate levels of funding to support its ongoing operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The capital structure of the Company consists of items included in shareholders' equity and debt, net of cash and cash equivalents. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or seek additional debt financing to ensure that it has sufficient working capital to meet its short-term business requirements. There were no changes in the Company's approach to capital management during the periods ended March 31, 2020 or December 31, 2019.

23. FINANCIAL INSTRUMENTS

The financial instruments recognized on the consolidated statement of financial position are comprised of cash and cash equivalents, trade and other receivables, investments, trade and other payables, short term debt payable, derivative liability, contingent consideration, loans receivable, and loans payable.

Fair value

(continues)

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
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23. FINANCIAL INSTRUMENTS *(continued)*

The carrying values of cash and cash equivalents, trade and other receivables, and trade and other payables approximate their fair values due to the short-term nature of these instruments.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

Fair value measurements of investments and loan receivable are as follows:

	Carrying amount	Fair value measurements using		
		Level 1	Level 2	Level 3
March 31, 2020				
Investments	\$ 376,502	\$ 16,502	\$ -	\$ 360,000
Loan receivable	727,925	727,925	-	-
December 31, 2019				
Investments	376,502	16,502	-	360,000

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

As at March 31, 2020 and December 31, 2019, the Company measured its investment in Sebastiani Ventures Corp. at Level 1 fair value.

As at March 31, 2020 and December 31, 2019, the Company measured its loan to Enhanced Pet Sciences Corp. at Level 1 fair value.

Level 2 – quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The investment in Enhanced Pet Sciences Corp. is measured at fair value, but as the investment is privately held and there is no quoted market price for its common shares, fair value is deemed to be best represented by the initial acquisition price of the investment.

There were no transfers between levels 1, 2 and 3 inputs during the period.

Risk Management

The Company is exposed to risks of varying degrees of significance from its use of financial instruments which could affect its ability to achieve its strategic objectives for growth and stakeholder returns. The principal risks to which the Company is exposed, and the actions taken to manage them, are described below.

(continues)

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
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23. FINANCIAL INSTRUMENTS *(continued)*

Credit Risk

Credit risk is the risk of a potential loss to the Company if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is moderately exposed to credit risk from its cash and cash equivalents and trade and other receivables. The risk exposure is limited to their carrying amounts at the balance sheet date. The risk is mitigated by holding cash and cash equivalents with highly rated Canadian financial institutions. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the financial institutions and the investment grade of its guaranteed investment certificates. Trade and other receivables primarily consist of trade accounts receivable and Goods and Services Tax recoverable ("GST").

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk, but has limited risk as the majority of sales are transacted with credit cards.

As at March 31, 2020 and December 31, 2019 all of the Company's trade receivables were current.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities. The Company has obtained primarily fixed rate debt which limits its exposure to interest rate fluctuations.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due.

At May 31, 2020 the contractual obligations related to financial liabilities were as follows:

	Less than 1 year	Total
Trade and other payables	\$ 276,301	\$ 276,301

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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24. SUBSEQUENT EVENTS

The outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Company or its clients, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on the Company's business, the continued spread of COVID-19 and the measures taken by the federal, provincial and municipal governments to contain its impact could adversely impact the Company's business, financial condition or results of operations. The extent to which the COVID-19 outbreak impacts the Company's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions.

On May 15, 2020 the Company settled outstanding indebtedness of \$180,000 (\$120,000 of legal fees and \$60,000 of accounting fees) through the issuance of 7,200,000 common shares of the Corporation at a deemed price of \$0.025 per Common Share.

The Company's common shares resumed trading on CSE under the new stock symbol "LUFF" on May 20, 2020.

On May 26, 2020 the Court-appointed Monitor was discharged and the Company concluded all obligations under the CCAA.

Interim MD&A – Quarterly Highlights

Luff Enterprises Ltd.

(Formerly Ascent Industries Corp.)

First Quarter ended March 31, 2020

(Stated in Canadian Dollars)

Dated May 28, 2020

Luff Enterprises Ltd.

Interim MD&A – Quarterly Highlights

For the First Quarter ended March 31, 2020

Preface

The following Interim MD&A – Quarterly Highlights of Luff Enterprises Ltd. (the “**Company**”) is prepared in accordance with the provisions of S. 2.2.1 of BCSC Instrument 51-102F2 as it relates to venture issuers. It should be read in conjunction with the Company’s audited consolidated financial statements and related notes for the year ended December 31, 2019 (the “**2019 Financial Statements**”) and the unaudited consolidated financial statements and related notes for the quarterly period ended March 31, 2020 (the “**2020 First Quarter Financial Statements**”), which were prepared in accordance with International Financial Reporting Standards (“**IFRS**”). Unless otherwise noted, all currency amounts are in Canadian dollars.

Forward looking information

This MD&A contains “forward-looking information and statements” that are subject to risk factors set out under the caption *Caution regarding forward looking statements* later in this document. The reader is cautioned not to place undue reliance on forward-looking statements.

Review and Approval by the Board of Directors

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on May 28, 2020.

Profile and strategy

The Company was incorporated with the name Ascent Industries Corp. under the Business Corporations Act (British Columbia) on May 30, 2013. Its head office, principal and registered records office address is located at Suite 800 - 543 Granville Street, Vancouver, British Columbia V6C 1X8. The Company completed an amalgamation with Paget Minerals Corp. on August 9, 2018 and subsequently listed its common shares for trading on the Canadian Securities Exchange. Effective May 15, 2020, the Company changed its name to Luff Enterprises Inc., to reflect its new business direction as a producer and distributor of branded cannabis and industrial hemp derived CBD products in the United States.

Risks and Uncertainties

The Company operates in the USA through wholly owned subsidiaries in Nevada and Oregon with licenses to produce, process and distribute cannabis and processed cannabis products including cannabis oils and licenses to process and distribute industrial hemp. As a result of the CCAA process in Canada, the operation of the US subsidiaries has been significantly curtailed. On May 26, 2020 pursuant to a Supreme Court of British Columbia order the CCAA process was formally completed and the Monitor discharged.

For a comprehensive discussion of the risks and uncertainties facing the Company as it commences to reactivate its business operations in Oregon and Nevada unfettered by the CCAA process, the reader should consult the Company’s MD&A for the Fourth Quarter and 12 Months Ended December 31, 2019, accompanying the audited financial statements for the year ended 2019, which were filed on SEDAR on May 11, 2020.

Luff Enterprises Ltd.

Interim MD&A – Quarterly Highlights

For the First Quarter ended March 31, 2020

Consolidated analysis of financial condition, financial performance and cash flows

The following highlights the Company's overall performance for three months ended March 31, 2020 and 2019 and includes financial information relating to the Company's establishment in Denmark and Canadian Operations, which no longer included cannabis cultivation, processing, production, product research and forward development and distribution:

	3 months ended Mar 31, 2020 (\$)	3 months ended Mar 31, 2019 (\$)	Change
Sales	5,068	435,234	(99%)
Gross margin	4,053	(323,184)	(101%)
Operating expenses	(1,723,380)	(3,523,809)	(51%)
Other (expense) / income	(877,860)	1,292,270	(168%)
Net loss	(2,664,303)	(2,554,723)	(4%)
Net loss per share – basic and diluted	(0.01)	(0.01)	
Weighted average Common Shares outstanding:			
Basic	331,096,802	320,151,457	3%
Diluted			

Consolidated Results Commentary

Q1	
Earnings Summary	EPS: \$(0.01) per share
	<p>By March 31, 2019, the Company had entered CCAA proceedings in Canada effectively shutting down operations in all locations. With high operating costs in conjunction with low capacity the 2019 operations yielded poor margins. The operating losses of the prior period were replaced by significant legal costs associated with the last phase of the CCAA process. The prior period recognition of a change in the derivative liability resulted in a one-time income inclusion of \$1,292,270.</p>

Luff Enterprises Ltd.

Interim MD&A – Quarterly Highlights

For the First Quarter ended March 31, 2020

Balance Sheet Analysis, Liquidity, and Capital Resources

	3 months ended Mar 31, 2020 (\$)	3 months ended Mar 31, 2019 (\$)	Change
Cash and cash equivalents at end of period	1,819,505	3,993,021	(54%)
Total assets at end of period	11,986,498	13,665,397	(12%)
Current liabilities	(276,301)	(463,367)	(40%)
Working Capital	2,754,977	4,725,063	(42%)

Balance Sheet, Liquidity, and Capital Resources Commentary

Q1

Financial position Summary

▼ Working Capital: (\$1,970,086) or (42%)

During the quarter the Company's primary operating uses of cash were:

- \$325,000 in severance to former CEO.
- Management salaries of approximately \$186,215.
- The increase over the prior period reflects the result of the sale in 2019 of the Canadian assets net of settlements.
- All significant liabilities & long-term liabilities were settled with the proceeds of the sale of assets and the ordinary course payments of the obligations under leases were made.
- Accounts payable related to professional fees in the amount of \$180,000 and settlement with CRA on a late claim on remittance penalties were material additions to Current liabilities.

Luff Enterprises Ltd.

Interim MD&A – Quarterly Highlights

For the First Quarter ended March 31, 2020

Summary Cash Flows

	3 months ended Mar 31, 2020 (\$)	3 months ended Mar 31, 2019 (\$)	Change
Cash and cash equivalents at end of period	1,819,505	1,245,611	46%
Cash used in operating activities	(1,608,890)	(21,458,584)	(93%)
Cash used in investing activities	(727,925)	3,218,427	(123%)
Cash from financing activities	(1,048,293)	18,107,520	(106%)

Cash Flows Commentary

Q1	
Cash Flow Summary	<p>▼ Cash Used in the period: \$2,173,516,</p> <ul style="list-style-type: none">• Cash used in operating decreased due to reduced operations.• \$727,925 as a short-term loan to Enhanced Pet Sciences, in further support of the Company's interests in the US Hemp market.• Financing cash in 2019 was due to sale of the Canadian assets.

Description of business and developments – material events likely to have material effects on future operating results

Order for Protection under CCAA

On March 1, 2019, by Order of the Supreme Court of British Columbia, the Company along with the wholly owned subsidiaries, Agrima, Bloom Holdings Ltd., Bloom Meadows Corp., Pinecone Products Ltd., Agrima Scientific Corp., and West Fork Holdings NV Inc. (the "Petitioners") were granted protection under CCAA from its creditors under Vancouver Registry No. S-192188. Ernst & Young Inc. was appointed as Monitor of the Petitioners and their reports can be found at:

<https://documentcentre.eycan.com/Pages/Main.aspx?SID=1449>

Management developed a plan of arrangement through negotiation with the major creditors.

On December 19, 2019, by order of the Supreme Court of British Columbia, the Company settled outstanding claims in the amount of \$17,344,083 pursuant to the Plan of Compromise and Arrangement. The allowable claims were segregated into two classes:

Luff Enterprises Ltd.

Interim MD&A – Quarterly Highlights

For the First Quarter ended March 31, 2020

- (i) the unaffected claims: claims below \$11,100 and paid in full; and
- (ii) the affected claims: claims affected by the compromise - 51% of the original allowed amount paid.

In addition to the cash settlement of \$9,361,913 paid in final settlement, the Company issued 35,572,372 common shares with an aggregate value of \$889,309 to eligible affected shareholders on March 03, 2020.

The Company recorded a loss on its settlement under CCAA proceedings in the amount of \$5,280,251.

On March 6, 2020, the Company announced that it had implemented its first amended and restated consolidated plan of compromise, arrangement and organization (the "Plan") under the Companies' Creditors Arrangement Act ("CCAA"). Distributions under the Plan, as well as the issuance of common shares of the Company that were to be issued pursuant to the terms of the Plan, have been completed. The Company was unable, however, to obtain a further extension of the stay of proceedings provided by the order obtained by the Company on January 28, 2020. Accordingly, the stay of proceedings expired on March 6, 2020 and the Company's CCAA proceedings concluded upon expiry of the stay.

Effective April 8, 2019 and pursuant to an order issued by the Supreme Court of British Columbia on March 25, 2019 the Company sold Canadian operating assets to BZAM Management Inc., and subsequently commenced winding up of its Canadian and Denmark operations.

Sale of Canadian Operating Assets to BZAM

On April 8, 2019 the Company received net consideration of \$18,173,216 for the assets of the Company as follows:

Gross Consideration	\$19,152,056
Less Commission	(978,840)
Inventory	(541,877)
Prepays	(103,221)
Deposits & Construction in progress	(14,432,232)
Property Plant & Equipment	(10,674,398)
Assumption of long-term debt	8,518,259
Assumption of derivative debt	1,976,063
Net gain over net book value	\$2,915,810

Change in Management

Effective May 15, 2020, the Company re-appointed Mr. Philip Campbell to its board of directors and to the office of Chief Executive Officer to lead the execution of the Company's streamlined business plan focused on the reactivation of its U.S. operations. Mr. Campbell is a founder of the Company and previously served as the Company's CEO. Mr. Campbell is included on the management slate of proposed directors of the Company to be considered for election at the Company's upcoming AGM to be held on Wednesday, June 24, 2020.

Liquidity and capital resources

The Company had previously announced its intent to expand operation in California, Nevada and Denmark. In light of the Company's financial position upon exiting CCAA, the Company will now focus on the business of production and sale of cannabis and industrial hemp derived CBD products in the United States.

Luff Enterprises Ltd.

Interim MD&A – Quarterly Highlights

For the First Quarter ended March 31, 2020

Related party transactions

In the three months ended March 31, 2020 payments to senior management in the form of salaried compensation was \$186,215.

Commitments

There were no new commitments in the period.

Luff Enterprises Ltd.

Interim MD&A – Quarterly Highlights

For the First Quarter ended March 31, 2020

Additional information

Additional information relating to the Company is available on SEDAR at www.sedar.com and on the dedicated webpage of the Court appointed monitor at <https://documentcentre.eycan.com/Pages/Main.aspx?SID=1449>

Corporation information

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Directors:	Philip Campbell David Hurford Mark Lotz Jeremy South
Senior Officers:	Philip Campbell, Chief Executive Officer Mark Lotz, Chief Financial Officer
Auditor:	Kingston Ross Pasnak LLP Suite 1500, 9888 Jasper Avenue NW Edmonton, Alberta, T5J 5C6
Transfer Agent:	National Securities Administrators Ltd. 702 – 777 Hornby Street Vancouver, BC, V6Z 1S4