

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.

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 and six months ended June 30, 2020. Please refer to Note 20 to the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 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 and six months ended June 30, 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 June 30, 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
May 15, 2020	Common shares	Common shares issued on May 15, 2020, to settle professional services fees unpaid during the CCAA proceedings	7,200,000	\$0.025	N/A	Settlement of professional services debts	Unrelated	Nil

(b) summary of options granted during the period,

No incentive stock options were granted during the period of April 1, 2020 to June 30, 2020.

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

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	362,923,829	\$72,847,976

- (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	88,428,742	\$0.05	June 24, 2021
TOTAL:	88,428,742		

- (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
Philip Campbell	Chief Executive Officer and Director
Drew Malcolm	Director
Elizabeth Coles	Chief Financial Officer
John Sweeney	Chief Operating Officer

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 and six months ended June 30, 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: August 20, 2020

Elizabeth Coles
Name of Director or Senior Officer

Elizabeth Coles
Signature

Chief Financial Officer
Official Capacity

Issuer Details Name of Issuer	For Quarter Ended	Date of Report YY/MM/D
LUFF Enterprises Ltd.	June 30, 2020	2020/08/20
Issuer Address		
Suite 800, 543 Granville Street		
City/Province/Postal Code	Issuer Fax No.	Issuer Telephone No.
Vancouver, British Columbia, V6C 1X8	Not Applicable	778-819-0326
Contact Name	Contact Position	Contact Telephone No.
Elizabeth Coles	Chief Financial Officer	503-395-4460
Contact Email Address	Web Site Address	
liz@luffbrands.com	www.luffbrands.com	

LUFF ENTERPRISES LTD.
(formerly Ascent Industries Corp.)

Condensed Consolidated Interim Financial Statements
(Unaudited)

Three and Six Months Ended June 30, 2020 and 2019
(Expressed in Canadian Dollars)

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.

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LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at June 30, 2020 and December 31, 2018

	June 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 825,015	\$ 3,993,021
Trade and other receivables (Note 6)	795,789	746,877
Prepaid expenses (Note 7)	116,542	72,030
Investments (Note 8)	392,502	376,502
Inventory	1,192	-
	<u>2,131,040</u>	<u>5,188,430</u>
Long-term assets		
Property, plant & equipment, net (Note 9)	6,981,200	7,368,860
Intangible assets (Note 10)	1,054,959	1,056,087
Note receivable (Note 11)	727,925	-
Right of use asset (Note 12)	-	52,020
	<u>\$ 10,895,124</u>	<u>\$ 13,665,397</u>
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable, payroll and accrued liabilities	\$ 128,941	\$ 413,888
Long-term liabilities		
Right of use lease (Note 12)	-	49,479
Loans payable (Note 14)	423,577	-
	<u>552,518</u>	<u>463,367</u>
Shareholders' equity		
Share capital (Note 15)	71,605,330	70,513,445
Contributed surplus	1,734,012	1,572,639
Share based reserve (Note 17)	1,241,312	1,241,312
Accumulated other comprehensive income	217,810	(311,456)
Deficit	(64,455,858)	(59,813,910)
	<u>10,342,606</u>	<u>13,202,030</u>
Total equity	<u>\$ 10,895,124</u>	<u>\$ 13,665,397</u>
Total liabilities and equity	<u>\$ 10,895,124</u>	<u>\$ 13,665,397</u>

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF OPERATIONS

(Expressed in Canadian Dollars)

Three and Six Months Ended June 30, 2020 and June 30, 2019

	3 Months June 30, 2020	3 Months June 30, 2019	6 Months June 30, 2020	6 Months June 30, 2019
Revenue:				
Sales	\$ 48	\$ 182,322	\$ 5,116	\$ 617,556
Cost of sales	5,650	410,163	6,665	1,168,581
Gross margin	<u>(5,602)</u>	<u>(227,841)</u>	<u>(1,549)</u>	<u>(551,025)</u>
Expenses:				
General and administration	1,118,563	1,806,541	2,639,570	4,396,768
Selling and marketing	17,518	(20,685)	17,518	518,847
Research & development	-	(20,474)	-	171,329
Depreciation & amortization	202,866	202,247	405,240	404,494
	<u>1,338,947</u>	<u>1,967,629</u>	<u>3,062,328</u>	<u>5,491,438</u>
Loss from operations	<u>(1,344,549)</u>	<u>(2,195,470)</u>	<u>(3,063,877)</u>	<u>(6,042,463)</u>
Other (income) expenses				
Interest and other	168,664	135,674	180,112	1,614,671
Share issuance cost	161,373	-	161,373	-
Unrealized gain on investments	(16,000)	-	(16,000)	-
Gain on sale	-	-	-	(2,915,810)
Loss on disposal	-	-	-	132,891
CCAA Settlement	-	1,200,000	956,425	1,200,000
Bad debt expense	285,512	-	285,512	-
Accretion expense	8,152	-	8,152	-
	<u>607,701</u>	<u>1,335,674</u>	<u>1,575,574</u>	<u>31,752</u>
Loss Before Income Taxes and Comprehensive Income	<u>(1,952,250)</u>	<u>(3,531,144)</u>	<u>(4,639,451)</u>	<u>(6,074,215)</u>
Income tax expense	<u>2,497</u>	<u>742</u>	<u>2,497</u>	<u>12,395</u>
Net Loss	<u>(1,954,747)</u>	<u>(3,531,885)</u>	<u>(4,641,948)</u>	<u>(6,086,610)</u>
Comprehensive Income				
Currency translation adjustment	424,090	(41,312)	529,266	(743,736)
Comprehensive Loss	<u>\$ (1,528,160)</u>	<u>\$ (3,573,197)</u>	<u>\$ (4,112,682)</u>	<u>\$ (6,830,346)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding, diluted	<u>359,403,829</u>	<u>320,151,457</u>	<u>359,403,829</u>	<u>320,151,457</u>

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

Six Months Ended June 30, 2020 and Periods Ended December 31, 2019 and 2018

	Common Shares		Common shares to be issued \$	Share-based reserve \$	Warrant reserve \$	Contributed Surplus \$	Accumulated other comprehensive loss \$	Deficit \$	Shareholders' Equity \$
	Number	\$	\$	\$	\$	\$	\$	\$	\$
As at June 1, 2018	218,683,015	31,576,460	8,673,862	507,151	-	1,572,639	23,671	(20,299,670)	22,054,113
Exercise of warrants (for private placement A)	-	916,667	-	-	-	-	-	-	916,667
Exercise of warrants (for private placement B)	3,666,666	-	-	-	-	-	-	-	-
Units issued as a deposit	2,777,778	-	-	-	-	-	-	-	-
Shares issued as a deposit	416,667	1,150,000	-	-	-	-	-	-	1,150,000
Units issued for services	205,556	-	-	-	-	-	-	-	-
Shares issued for services	458,810	271,200	-	-	-	-	-	-	271,200
Shares issued for equipment	1,412,152	621,647	-	-	-	-	-	-	621,647
Shares issued through First Circle acquisition	562,500	225,000	250,000	-	-	-	-	-	475,000
Units issued for private placement D	30,000,000	12,000,000	(8,673,862)	-	-	-	-	-	3,326,138
Units issued for finders fees	510,407	204,163	-	-	-	-	-	-	204,163
Units issued through public offering	48,085,500	19,234,200	-	-	-	-	-	-	19,234,200
Units issued through Paget Mineral acquisition	9,542,643	3,796,748	-	-	-	-	-	-	3,796,748
Exercise of warrants (for private placement D)	3,829,763	1,970,232	298,597	-	-	-	-	-	2,268,829
Share issuance costs	-	(1,751,469)	-	-	-	-	-	-	(1,751,469)
Share based compensation	-	-	-	734,161	-	-	-	-	734,161
Foreign currency reserve	-	-	-	-	-	-	(220,978)	-	(220,978)
Net loss for the period	-	-	-	-	-	-	-	(17,367,855)	(17,367,855)
As at December 31, 2018	320,151,457	70,214,848	548,597	1,241,312	-	1,572,639	(197,307)	(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 period	-	-	-	-	-	-	-	(22,396,385)	(22,396,385)
As at December 31, 2019	320,151,457	70,513,445	-	1,241,312	-	1,572,639	(311,456)	(59,813,910)	13,202,030
Shares issued for services	7,200,000	180,000	-	-	-	-	-	-	180,000
Shares issued for debt	35,572,372	889,309	-	-	-	-	-	-	889,309
Warrants issued	-	-	-	-	-	161,373	-	-	161,373
Convertible debenture	-	22,576	-	-	-	-	-	-	22,576
Foreign currency reserve	-	-	-	-	-	-	529,266	-	529,266
Net loss for the period	-	-	-	-	-	-	-	(4,641,948)	(4,641,948)
Balance, June 30, 2020	362,923,829	\$ 71,605,330	\$ -	\$ 1,241,312	\$ -	\$ 1,734,012	\$ 217,810	\$ (64,455,858)	\$ 10,342,606

LUFF ENTERPRISES LTD. (FORMERLY ASCENT INDUSTRIES CORP.)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOW
(Expressed in Canadian Dollars)
Three and Six Months Ended June 30, 2020 and 2019

	6 months ended June 30, 2020	6 months ended June 30, 2019
Cash provided by (used for):		
Operating activities:		
Net Loss for the period	\$ (4,641,948)	\$ (6,086,609)
Items not affecting cash:		
Depreciation & amortization	405,240	404,494
Accretion expense	8,152	-
Gain on sale of assets	-	(2,915,810)
Unrealized gain on investments	(16,000)	-
Warrants issued	161,373	-
Shares issued for services	180,000	-
Debenture	438,000	-
CCAA Settlement	889,266	1,200,000
Loss on disposal	-	132,981
Changes in non-cash working capital balances:		
Receivables	386,036	19,169,708
Prepaid expenses	(40,813)	33,474
Inventory	(1,187)	503,749
Commission payable	-	978,840
Accounts payable, payroll and accrued liabilities	(75,608)	(411,398)
Cash provided (used) by operating activities	<u>(2,307,490)</u>	<u>13,009,429</u>
Investing activities:		
Purchase property, plant and equipment	(11,661)	-
Note receivable, related party	(727,925)	-
Cash used by investing activities	<u>(739,586)</u>	<u>-</u>
Financing activities:		
Change in right of use asset	2,541	-
Advances from related parties	(372,529)	(105,536)
Cash used by financing activities	<u>(369,988)</u>	<u>(105,536)</u>
Increase (Decrease) in cash and cash equivalents	(3,417,064)	12,903,893
Effect of exchange rate changes on cash	249,058	2,659,645
Cash and cash equivalents, beginning of period	<u>3,993,021</u>	<u>1,339,027</u>
Cash and cash equivalents, end of period	<u>\$ 825,015</u>	<u>\$ 16,902,565</u>

Note 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 three and six months ended June 30, 2020 should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019.

The Company's primary activities relate to the production of cannabinoid consumer packaged goods using THC free product. The Company holds licenses for cannabis processing, production, research, product and brand development, and distribution that could be used in the future.

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 six months ended June 30, 2020 the Company has generated \$5,116 in revenues from operations and incurred a net loss of \$(4,372,437). As of June 30, 2020, the Company had an accumulated deficit of \$64,186,347.

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 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 interim 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.

Note 2 – Summary of Significant Accounting Policies

a) Statement of compliance and basis of presentation

These condensed consolidated interim financial statements for the three and six months ended June 30, 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 IFRS, as issued by the IASB.

LUFF ENTERPRISES LTD. (formerly Ascent Industries Corp.)**Notes to the Condensed Consolidated Interim Financial Statements**

Three and Six Months Ended June 30, 2020 and Year Ended December 31, 2019

(Unaudited – Amounts reflected in thousands of Canadian dollars, except share and per share amounts)

Note 2 – Summary of Significant Accounting Policies, continued**Statement of compliance and basis of presentation, continued**

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 20, 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.

Note 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 and Equipment	(10,674,398)
Assumption of Long-term Debt	8,518,259
Assumption of Derivative Debt	1,976,063
	\$ 2,915,810

Note 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 10: Intangible Assets.

Note 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.

Note 5 – CCAA Settlement, continued

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.

Note 6 – Trade and Other Receivables

	June 30 2020	December 31 2019
Trade receivables	\$ -	\$ -
GST recoverable	795,789	746,877
	\$ 795,789	\$ 746,877

During the three and six months ended June 30, 2020 approximately \$285,000 of GST recoverable was written off as bad debt as management deemed it uncollectible. In the year ended December 31, 2019 no bad debt expense was recognized.

Note 7 – Prepaid Expenses

	June 30 2020	December 31 2019
Prepaid vendors	\$ 44,217	\$ 14,295
Prepaid rent	11,746	57,735
Deposits	60,579	-
	\$ 116,542	\$ 72,030

LUFF ENTERPRISES LTD. (formerly Ascent Industries Corp.)**Notes to the Condensed Consolidated Interim Financial Statements**

Three and Six Months Ended June 30, 2020 and Year Ended December 31, 2019

(Unaudited – Amounts reflected in thousands of Canadian dollars, except share and per share amounts)

Note 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.

Through its amalgamation with Paget Minerals Corp in August 2018, the Company acquired a 1.5% royalty in the Blackwater Gold-Silver Project (the Project). The Company has not assigned a value to this royalty as it is not quantifiable at this time, and there is uncertainty as to the collectability of the royalty as the Project is still in its discovery phase.

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. Also during the period ended December 31, 2018, the Company acquired the right to future payments, either in cash or shares, from Evrim Resources (Evrin), the purchases of the Ball Creek Project, a mining project in British Columbia, previously held by Paget Minerals Corp. The agreement also called for future payments, either in cash or shares, of third party and/or joint venture projects. Evrim entered into a joint venture project with Golden Ridge Resources, Ltd., in 2019, and thus the Company has received 380,000 shares in Golden Ridge Resources Ltd., pursuant to the agreement. The shares are valued at the quoted market price in the condensed consolidated interim statement of financial position.

	June 30 2020	December 31 2019
Enhanced Pet Sciences Corp.	\$ 360,000	\$ 360,000
Sebastiani Ventures Corp.	16,502	16,502
Golden Ridge Resources Ltd.	16,000	-
	\$ 392,502	\$ 376,502

Note 9 – Property, Plant and Equipment

<u>Cost</u>	December 31 2019	Additions	Adjustments/ Transfers	Disposals	June 30 2020
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
Software	7,157	-	(11)	-	7,146
Mobile equipment	33,000	-	(50)	-	32,950
Furniture and fixtures	52,733	-	(80)	-	52,653
Security equipment	185,642	-	(284)	-	185,358
Tools and equipment	1,114,513	-	(1,114,513)	-	-
Lab equipment	223,818	11,703	1,112,471	-	1,347,992
Leasehold improvements	2,359,348	-	(3,600)	-	2,355,748
Right of use assets	244,589	-	(244,589)	-	-
	<u>\$ 9,267,363</u>	<u>\$ 14,860</u>	<u>\$ (258,477)</u>	<u>\$ -</u>	<u>\$ 9,023,746</u>

LUFF ENTERPRISES LTD. (formerly Ascent Industries Corp.)**Notes to the Condensed Consolidated Interim Financial Statements**

Three and Six Months Ended June 30, 2020 and Year Ended December 31, 2019

(Unaudited – Amounts reflected in thousands of Canadian dollars, except share and per share amounts)

Note 9 – Property, Plant and Equipment, continued

<u>Accumulated Amortization</u>	<u>December 31 2019</u>	<u>Additions</u>	<u>Adjustments/ Transfers</u>	<u>Disposals</u>	<u>June 30 2020</u>
Buildings	\$ (224,384)	\$ (53,086)	\$ -	\$ -	\$ (277,470)
Computer equipment	(44,850)	(11,966)	-	-	(56,816)
Software	(3,877)	(1,180)	-	-	(5,057)
Mobile equipment	(17,875)	(4,064)	-	-	(21,939)
Furniture and fixtures	(20,191)	(2,862)	-	-	(23,053)
Security equipment	(111,119)	(29,064)	-	-	(140,183)
Tools and equipment	(570,426)	-	570,426	-	-
Lab equipment	(118,149)	(170,279)	-	-	(288,428)
Leasehold improvements	(543,044)	(116,130)	(570,426)	-	(1,229,600)
Right of use assets	(192,569)	-	192,569	-	-
	<u>\$ (1,846,484)</u>	<u>\$ (388,631)</u>	<u>\$ 192,569</u>	<u>\$ -</u>	<u>\$ (2,042,546)</u>

<u>Cost</u>	<u>December 31 2018</u>	<u>Additions</u>	<u>Adjustments/ Transfers</u>	<u>Disposals</u>	<u>December 31 2019</u>
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 equipment	609,038	-	-	(452,035)	157,003
Tools and equipment	2,122,614	-	-	(790,806)	1,331,808
Lab equipment	2,896,968	-	-	(2,890,445)	6,523
New groundwork	133,182	-	-	(133,182)	-
Leasehold improvements	3,835,024	-	-	(1,475,676)	2,359,348
Right of use assets	-	244,589	-	-	244,589
	<u>\$ 27,753,378</u>	<u>\$ 244,589</u>	<u>\$ -</u>	<u>\$ (18,730,604)</u>	<u>\$ 9,267,363</u>

LUFF ENTERPRISES LTD. (formerly Ascent Industries Corp.)**Notes to the Condensed Consolidated Interim Financial Statements**

Three and Six Months Ended June 30, 2020 and Year Ended December 31, 2019

(Unaudited – Amounts reflected in thousands of Canadian dollars, except share and per share amounts)

Note 9 – Property, Plant and Equipment, continued

<u>Accumulated Amortization</u>	<u>December 31 2018</u>	<u>Additions</u>	<u>Adjustments/ Transfers</u>	<u>Disposals</u>	<u>December 31 2019</u>
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 equipment	(190,316)	(67,012)	-	153,865	(103,463)
Tools and equipment	(489,541)	(233,760)	-	38,124	(685,177)
Lab equipment	(1,415,486)	(2,088)	-	1,414,176	(3,398)
New groundwork	(68,225)	-	-	68,225	-
Leasehold improvements	(398,687)	(302,103)	-	157,746	(543,044)
Right of use assets	-	(192,569)	-	-	(192,569)
	<u>\$ (4,004,700)</u>	<u>\$ (1,002,244)</u>	<u>\$ -</u>	<u>\$ 3,160,460</u>	<u>\$ (1,846,484)</u>

<u>Net Book Value</u>	<u>June 30 2020</u>	<u>December 31 2019</u>
Land	\$ 666,159	\$ 667,177
Buildings	4,024,132	4,083,791
Computer equipment	17,322	26,361
Software	2,089	15,126
Mobile equipment	11,011	24,263
Furniture and fixtures	29,600	32,542
Security equipment	45,175	53,540
Tools and equipment	-	646,631
Lab equipment	1,059,564	3,125
Leasehold improvements	1,126,148	1,816,304
Right of use assets	-	52,020
	<u>\$ 6,981,200</u>	<u>\$ 7,420,880</u>

Note 10 – Intangible Assets

	<u>June 30 2020</u>	<u>December 31 2019</u>
Licenses	\$ 1,121,268	\$ 1,105,799
Accumulated amortization	(66,309)	(49,712)
	<u>\$ 1,054,959</u>	<u>\$ 1,056,087</u>

Amortization expense of \$7,036 was recorded in the six months ended June 30, 2020 and \$3,518 for the three months ended June 30, 2020. Amortization expense was \$14,702 in the year ended December 31, 2019.

LUFF ENTERPRISES LTD. (formerly Ascent Industries Corp.)**Notes to the Condensed Consolidated Interim Financial Statements**

Three and Six Months Ended June 30, 2020 and Year Ended December 31, 2019

(Unaudited – Amounts reflected in thousands of Canadian dollars, except share and per share amounts)

Note 11 – Loan Receivable

On January 28, 2020 the Company entered into a secured loan agreement with Enhanced Pet Sciences Corp for US\$500,000 (CAD\$727,925). 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.

Note 12 – Obligations Under Right-of-Use Lease

	June 30	December 31
	2020	2019
Lease liabilities bearing interest at 5.70% per annum, due in 2020 and 2021	\$ -	\$ 49,479
Amounts payable within one year	-	-
	\$ -	\$ 49,479

The lease obligation and related asset was written off in the three months ended March 31, 2020 as it was immaterial.

Note 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 discharged in the course of the asset sale in 2019 (Note 3).

Note 14 – Convertible Debenture and Long-Term Liabilities

Effective May 29, 2017 and as amended July 26, 2018, a wholly owned subsidiary of the Company had 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. The mortgage was discharged during the course of the asset sale in 2019 (Note 3).

On May 28, 2020, the Company issued a three year unsecured convertible debenture having a principal amount of \$438,000 (the “Convertible Debenture”) to a company controlled by a shareholder of the Company for the reimbursement of costs incurred by the shareholder in connection with the CCAA proceedings deemed of benefit and in the interest of the Company. The Convertible Debenture is convertible into 17,520,000 Common shares of the Company at the election of the shareholder, at any time and by the Company’s election, during any period where the 20-day weighted average trading price of the Company’s common shares is \$0.10 or greater.

LUFF ENTERPRISES LTD. (formerly Ascent Industries Corp.)**Notes to the Condensed Consolidated Interim Financial Statements**

Three and Six Months Ended June 30, 2020 and Year Ended December 31, 2019

(Unaudited – Amounts reflected in thousands of Canadian dollars, except share and per share amounts)

Note 14 – Convertible Debenture and Long-Term Liabilities, continued

The Convertible Debenture is presented on the condensed interim consolidated statement of financial position as follows:

	June 30	December 31
	2020	2019
Principal balance	\$ 423,577	\$ -
Debt discount balance	\$ 22,575	\$ -

The Convertible Debenture has been discounted to its net present value using a coupon rate of 6% and a yield rate of 8%. The debt discount is amortized over the term of the note using the effective interest rate. Amortization of \$8,152 is included in the condensed consolidated interim statement of operations for the six months ended June 30, 2020 (none at December 31, 2019). The debt discount balance of \$22,575 is included in equity on the condensed interim consolidated statement of financial position.

Note 15 – Share Capital

	June 30	December 31
	2020	2019
Issued:		
362,923,829 Common Shares	\$ 71,605,330	\$ 70,513,445

At June 30, 2020, there were 362,923,829 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). On May 15, 2020, the Company issued 7,200,000 common shares at a price of \$.025 per share to settle professional services debts.

Note 16 – Share Purchase Warrants

	Amount	Value per Share
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)	5.000
Exercised	(1,796,499)	0.600
Balance, December 31, 2018	88,778,742	0.250
Expired	(350,000)	0.600
Balance, June 30, 2020 and December 31, 2019	88,428,742	\$ 0.050

During the year ended December 31, 2019, 350,000 warrants at a deemed exercise price of \$0.60 expired. On June 11, 2020, the Company issued a Supplemental Indenture whereby all outstanding warrants were repriced to a reduced exercise price of \$0.05 per warrant and an extended expiration date of June 24, 2021.

Note 16 – Share Purchase Warrants, continued

The fair value of the warrants at the date of grant was estimated to be \$161,373 based on the following weight average assumptions: stock price volatility – 85%, risk free rate - .25%, dividend yield – 0.00% and expected life of 12 months.

The following table summarizes the warrants that remain outstanding as at June 30, 2020:

Exercise Price	Number of Warrants	Expiry Date
\$0.05	88,428,742	June 24, 2021

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.

Note 17 – 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 directors approved the continuance of this plan in June 2020 by reserving 10% of the issued and outstanding shares for stock options.

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.

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

Note 18 – Supplemental Cash Flow Information

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.

On May 15, 2020, the Company issued 7,200,000 common shares at a price of \$.025 per share to settle professional services debts.

On May 28, 2020, the Company issued a three year unsecured convertible debenture having a principal amount of \$438,000 (the "Convertible Debenture") to a company controlled by a shareholder for the reimbursement of costs incurred the shareholder in connection with the CCAA proceedings deemed of benefit and in the interest of the Company. (See Note 14).

LUFF ENTERPRISES LTD. (formerly Ascent Industries Corp.)**Notes to the Condensed Consolidated Interim Financial Statements**

Three and Six Months Ended June 30, 2020 and Year Ended December 31, 2019

(Unaudited – Amounts reflected in thousands of Canadian dollars, except share and per share amounts)

Note 19 – Segmented Information

For the six months ended June 30, 2020	Cannabis	Other	Total
Revenue	\$ 5,116	\$ -	\$ 5,116
Gross profit (loss)	(1,549)	-	(1,549)
Income (loss) from operations	(3,063,877)	-	(3,063,877)
Net income (loss)	(4,372,437)	-	(4,372,437)
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 June 30, 2020			
Total assets	\$ 11,164,637	\$ -	\$ 11,164,637
Total liabilities	552,520	-	552,520
As at December 31, 2019			
Total assets	\$ 8,681,590	\$ 4,983,807	\$ 13,665,397
Total liabilities	30,611	432,756	463,367

The Company generates revenue in two geographical locations: Canada and the USA. All revenues during the three and six months ended June 30, 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.

For the six months ended June 30, 2020	Canada	USA	Total
Revenue	\$ -	\$ 5,116	\$ 5,116
Gross profit (loss)	-	(1,549)	(1,549)
Income (loss) from operations	(1,988,184)	(1,075,693)	(3,063,877)
Net income (loss)	(3,256,103)	(1,116,334)	(4,372,437)
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	(6,894,790)	(4,080,028)	(10,974,818)
Net income (loss)	(17,628,880)	(4,767,504)	(22,396,384)
As at June 30, 2020			
Total assets	\$ 2,910,065	\$ 8,254,572	\$ 11,164,637
Total liabilities	532,923	19,597	552,520
As at December 31, 2019			
Total assets	\$ 2,910,192	\$ 10,755,205	\$ 13,665,397
Total liabilities	383,272	80,095	463,367

Note 20 – 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:

	6 months ended June 30 2020	Year ended December 31 2019
Key Employees (<i>management</i>)		
Salaries and benefits	\$ 67,045	\$ 200,000
Management fees to the CFO	41,666	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.

Note 21 – 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 June 30, 2020 or December 31, 2019.

Note 22 – 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

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.

Note 22 – Financial Instruments, continued

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

	Carrying Amount	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
June 30, 2020				
Investments	\$ 392,502	\$ 32,502	\$ -	\$ 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 June 30, 2020 and December 31, 2019, the Company measured its investment in Sebastiani Ventures Corp and Golden Ridge Resources, Ltd. 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.

As at June 30, 2020, the Company measured its loan to Enhanced Pet Sciences Corp. at Level 2 fair value as there is no active market for this loan.

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.

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 June 30, 2020 and December 31, 2019 all of the Company's trade receivables were current.

Note 22 – Financial Instruments, continued

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 June 30, 2020 the contractual obligations related to financial liabilities were as follows:

	Less than 1 year	1-5 Years	Total
Trade and other payables	\$ 128,943	\$ -	\$ 128,943
Loan payable and convertible debenture	-	446,152	446,152

Note 23 – 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.

Interim MD&A – Quarterly Highlights

LUFF ENTERPRISES LTD.
(formerly Ascent Industries Corp.)

Second Quarter ended June 30, 2020

(Stated in Canadian Dollars)

Dated August 20, 2020

LUFF ENTERPRISES LTD.

Interim MD&A – Quarterly Highlights

For the Second Quarter ended June 30, 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 June 30, 2020 (the “**2020 Second 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 August 20, 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 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 Second Quarter ended June 30, 2020

Consolidated analysis of financial condition, financial performance, and cash flows

The following highlights the Company's overall performance for three months ended June 30, 2020 and 2019 and includes financial information relating to the Company's establishment in Denmark and Canadian Operations, which no longer include cannabis cultivation, processing, production, product research and forward development and distribution:

	Q2 2020(\$)	Q2 2019(\$)	Change	6 months ended June 30, 2020 (\$)	6 months ended June 30, 2019	Change (%)
Sales	48	182,322	(379,737%)	5,116	617,556	(11,971%)
Gross margin	(5,602)	(227,841)	(3,967%)	(1,549)	(551,025)	(35,473%)
Operating expenses	(1,338,947)	(1,967,629)	(47%)	(3,062,328)	(5,491,438)	(79%)
Other (expense) / income	(607,701)	(1,335,674)	(120%)	(1,575,574)	(31,752)	98%
Net loss	(1,952,250)	(3,531,885)	(81%)	(4,639,451)	(6,086,610)	(31%)
Net loss per share – basic and diluted	(0.00)	(0.01)		(0.01)	(0.02)	
Weighted average Common Shares outstanding:						
Basic	362,923,829	320,151,457	11.8%	362,923,829	320,151,457	11.8%
Diluted	359,403,829	320,151,457	10.9%	359,403,829	320,151,457	10.9%

Consolidated Results Commentary

	Q2	6 Months
Earnings Summary	<p>▲ EPS: Has remained relatively flat</p> <ul style="list-style-type: none"> By March 31, 2019, the Company had entered CCAA proceedings, effectively shutting down operations in all locations, leading to a halt in sales. Operating costs have significantly declined since Q2 2019, as the Company has now been discharged from CCAA, but they are still significant due to high legal and consulting costs to complete the CCAA process. Q2 2020 results also include \$438,000 in legal fees settled by issuing a convertible debenture. See further information on this below. 	<ul style="list-style-type: none"> 6 month operating results are affected by the same events as the quarterly results. The Company issued shares to settle debts through the CCAA process approximating \$1,000,000, contributing to high operating expenses in 2020, as well as payment of \$325,000 in severance to a former CEO.

LUFF ENTERPRISES LTD.

Interim MD&A – Quarterly Highlights

For the Second Quarter ended June 30, 2020

Balance Sheet Analysis, Liquidity, and Capital Resources

	Q1 2020		6 months ended June 30, 2020 (\$)	6 months ended June 30, 2019 (\$)	Change
Cash and cash equivalents at end of period	1,819,505	(121%)	825,015	16,902,565	(1949%)
Total assets at end of period	11,986,498	(7%)	10,895,124	34,194,861	(214%)
Current liabilities	(276,301)	(114%)	(128,942)	(122,295)	(5%)
Long-term liabilities	-		(423,577)	-	-
Working Capital	2,754,977	(21%)	1,578,522	13,965,163	(785%)

Balance Sheet, Liquidity, and Capital Resources Commentary

	Q2	6 months
Financial position Summary	<p>▼ Working Capital: (\$483,366) or (21%)</p> <ul style="list-style-type: none"> During Q2 2020 the Company also issued a convertible debenture to a shareholder for payment of legal fees on behalf of the Company. Operating cash was used to pay the final legal and consulting fees related to being discharged from CCAA 	<p>▼ Working Capital: (\$12,386,641) or (785%)</p> <ul style="list-style-type: none"> At June 30, 2020, compared to June 30, 2019, the company has settled all CCAA debt and been discharged from the proceedings. Significant cash was used to settle the CCAA proceedings at the end of 2019, reducing total cash and assets between the two periods. Working capital was also reduced due to the use of cash to settle the CCAA process.

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Summary Cash Flows

	Q1 2020		6 months ended June, 2020 (\$)	6 months ended June 30, 2019 (\$)	Change
Cash and cash equivalents at end of period	1,819,505	(121%)	825,015	16,920,565	(1951%)
Cash used in operating activities	(1,608,890)	30%	(2,307,490)	13,009,429	(664%)
Cash used in investing activities	(727,925)	2%	(739,586)	-	-
Cash from financing activities	(1,048,239)	(184%)	(368,988)	(105,536)	(71%)

Cash Flows Commentary

	Q2	6 Months
Cash Flow Summary	▼ Cash Used in the period: \$(692,601) compared to \$(2,173,516) in Q1	▼ Cash Used in the period: \$(15,316,920)
	<ul style="list-style-type: none"> Cash used in operations decreased compared to the amount used in Q1 due to reduced operations. The Company issued shares for debt in Q2 2020. 	<ul style="list-style-type: none"> Between Q2 2019 and Q2 2020 the Company settled all CCAA debts, using a significant amount of cash to do so. The Company issued a short-term loan to a related party in Q1 2020.

Description of business and developments – material events likely to have material effects on future operating resultsOrder 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 Botanicals, 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:

- (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.

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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. Further it settled outstanding indebtedness of \$180,000 through the issuance of 7,200,000 Common shares of the Company at a deemed price of \$0.025 per Common share.

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.

The Company held its annual general meeting of shareholders on Wednesday, June 24, 2020, at 10:00 am (Pacific Daylight Time) (the “AGM”).

The results of the AGM are that shareholders voted in favour of setting the number of directors at three and the following directors were elected: Philip Campbell, Jeremy South, and Drew Malcolm (the “Directors”). In addition to the election of the Directors, the shareholders voted in favour of approving the Company’s 2017 Incentive Stock Option Plan.

In addition, the Directors re-appointed Philip Campbell as Chief Executive Officer, and Jeremy South as non-executive Chairman of the Board. Rod Kirkham was appointed Corporate Secretary of the Company. The Company also announced two key management appointments. Effective June 24, 2020, Elizabeth Coles was appointed Chief Financial Officer and John Sweeney was appointed Chief Operating Officer.

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For the Second Quarter ended June 30, 2020

Liquidity and capital resources

As a final step in addressing costs associated with the CCAA process, the Company issued a three year unsecured convertible debenture having a principal amount of CDN\$438,000 (the “Convertible Debenture”) to a company controlled by Drew Malcolm for the reimbursement of costs incurred by Mr. Malcolm in connection with the CCAA proceedings deemed of benefit and in the interest of the Company.

The Convertible Debenture is convertible into 17,520,000 Common shares of the Company at the election of Mr. Malcolm at any time and by the Company’s election during any period where the 20-day weighted average trading price of the Company’s common shares is \$0.10 or greater.

The term of voting trust agreements entered into by Mr. Malcolm and certain shareholders of the Company historically referred to as members of the “Drew Malcolm Voting Trust” has not been renewed and all such voting trust agreements terminate in accordance with their terms. In addition, the founders of the Company, which include Mr. Campbell, have terminated their agreements to sell all of their holdings of Common shares of the Company, previously announced in the first quarter of 2019, owing to the significant period for which the Company’s Common shares did not trade on the CSE (defined below). Management of the Company is not aware of any one shareholder or group of shareholders owning or controlling more than 10% of the currently issued and outstanding common shares of the Company.

The Company also has a 1.5% royalty in the Blackwater Gold-Silver Project (the Project). The Company has not assigned a value to this royalty as it is not quantifiable at this time, and there is uncertainty as to the collectability of the royalty as the Project is still in its discovery phase.

Also through its amalgamation with Paget Minerals Corp. in 2018, the Company acquired the right to future payments, either in cash or shares, from Evrim Resources (Evrin), the purchases of the Ball Creek Project, a mining project in British Columbia, previously held by Paget Minerals Corp. The agreement also called for future payments, either in cash or shares, of third party and/or joint venture projects. Evrim entered into a joint venture project with Golden Ridge Resources, Ltd., in 2019, and thus the Company has received 380,000 shares in Golden Ridge Resources, Ltd., pursuant to the agreement. The shares are valued at the quoted market price for Golden Ridge Resources, Ltd.

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.

Related party transactions

In the three-month period April 1, to June 30, 2020 payments to senior management in the form of salaried compensation was \$108,711. Payments to directors totaled \$21,000.

Commitments

See above commitment related to the convertible debenture issued to Mr. Drew Malcolm.

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

Registered Office: Suite 800 – 543 Granville Street,
Vancouver, BC V6C 1X8

Directors: Philip Campbell
Drew Malcolm

LUFF ENTERPRISES LTD.

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For the Second Quarter ended June 30, 2020

Jeremy South

Senior Officers:

Philip Campbell, Chief Executive Officer
Elizabeth Coles, Chief Financial Officer
John Sweeney, Chief Operating 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