IGNITE
INTERNATIONAL BRANDS, LTD.

CSE: BILZ, OTCQX: BILZF
WWW.IGNITE.CO

Interim Consolidated Financial Statements

For the periods ended March 31, 2020 and 2019
(unaudited)

IGNITE INTERNATIONAL BRANDS, LTD.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Canadian Dollars)

	As at 31-Mar-20	As at 31-Dec-19
	$	$
Assets		
Current assets		
Cash	5,954,818	15,138,092
Accounts receivable (note 9)	1,087,400	1,456,618
Note receivable (note 9)	285,868	-
Inventory (note 10)	7,128,179	6,069,264
Short term deposits (note 11)	2,373,153	1,779,498
Prepaid expenses (note 12)	176,020	280,462
Total current assets	**17,005,438**	24,723,934
Non-current assets		
Long term deposits (note 11)	72,894	66,734
Investments (note 13)	750,000	750,000
Due from related parties (note 25)	44,279	-
Property, plant and equipment, net (note 14)	6,234,840	6,461,951
Intangible assets, net (note 15)	378,545	236,301
Option to purchase (note 16 and 28)	7,093,500	6,494,000
Total assets	**31,579,496**	38,732,920
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 18)	4,133,003	5,591,154
Coupon Interest Payable (note 8)	593,333	193,333
Note payable (note 18)	4,614,322	4,126,937
Due to related parties (note 25)	74,267	67,990
Short-term lease obligations (note 17)	4,615,273	4,025,502
Total current liabilities	**14,030,198**	14,004,916
Convertible Debenture Liability (note 8)	18,155,550	18,008,555
Long-term lease obligations (note 17)	863,416	1,739,024
Total liabilities	**33,049,164**	33,752,495
Shareholders’ equity		
Share capital (note 19)	82,824,059	82,824,059
Warrants reserve (note 19)	726,863	726,863
Option Reserve (note 19)	2,298,932	1,260,785
Contributed surplus (note 19)	1,262,131	1,262,131
Other comprehensive income	3,939,683	3,348,826
Non-controlling interests	(27,822)	(788,676)
Accumulated deficit	(92,493,514)	(83,653,563)
Total shareholders’ equity	**(1,469,668)**	4,980,425
Total liabilities and shareholders’ equity	**31,579,496**	38,732,920

Nature of operations and going concern (note 1)
Commitments and contingencies (note 26)
Subsequent events (note 28)

Approved by the Board

/s/ *“Dan Bilzerian” Director*

/s/ *“Lester Lee” Director*

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

IGNITE INTERNATIONAL BRANDS, LTD.
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(In Canadian Dollars)

	For the period ended 31-Mar-20	For the period ended 31-Mar-19
	$	$
Sales revenue (note 21)	1,694,658	1,524,658
Cost of goods sold	1,066,191	957,599
Gross Profit	**628,467**	567,059
Operating expenses		
General and administrative (note 24)	4,802,216	4,282,213
Share-based compensation (note 19)	1,038,147	-
Marketing and promotion	2,101,601	7,378,171
Depreciation (note 14)	874,081	75,008
Amortization (note 15)	10,167	1,108
Total operating expenses	**8,826,212**	11,736,500
Loss from operations	**(8,197,745)**	(11,169,441)
Other income		
Interest income	1,844	99,239
Other expenses		
Interest expense	109,243	408,939
Interest accretion, leases (note 17)	209,616	-
Convertible debenture interest accretion (note 8)	546,995	-
Exchange gain/loss	(715)	
Loss on disposal of assets (note 14)	-	(194,276)
Total other expenses	865,139	214,663
Net loss	**(9,061,040)**	(11,284,865)
Cumulative translation adjustment	(590,857)	(325,029)
Net loss and comprehensive loss	**(9,651,897)**	(11,609,894)
Net loss attributed to:		
Ignite International Brands, Ltd.	**(8,839,951)**	(11,284,865)
Non-controlling interests	**(221,089)**	-
Net loss per share, basic and diluted (note 20)	**(0.03)**	(0.13)

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

IGNITE INTERNATIONAL BRANDS, LTD.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY
(In Canadian Dollars)

	Number of Shares	Share capital	Other comprehensive income	Option reserve	Warrant reserve	Contributed surplus	Non-controlling interests	Deficit	Total equity
	#	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2018	87,616,000	25,805,378	3,548,085	-	-	-	-	(16,283,046)	13,070,417
Net loss for the period	-	-	(325,029)	-	-	-	-	(11,284,865)	(11,609,894)
Balance, March 31, 2019	**87,616,000**	**25,805,378**	**3,223,056**	**-**	**-**	**-**	**-**	**27,567,911**	**1,460,523**
Balance at December 31, 2019	**256,928,254**	**82,824,059**	**3,348,826**	**1,260,785**	**726,863**	**1,262,131**	**(788,676)**	**(83,653,563)**	**4,980,425**
Stock based compensation (note 19)	-	-	-	1,038,147	-	-	-	-	1,038,147
NCI, capital contribution (note 22)	-	-	-	-	-	-	981,943	-	981,943
Loss on investment (note 13)			-						-
Net loss for the period	-	-	590,857		-	-	(221,089)	(8,839,951)	(8,470,183)
Balance, March 31, 2020	**256,928,254**	**82,824,059**	**3,939,683**	**2,298,932**	**726,863**	**1,262,131**	**(27,822)**	**(92,493,514)**	**(1,469,668)**

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

IGNITE INTERNATIONAL BRANDS, LTD.

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Canadian Dollars)

	For the period ended March 31,2020	For the period ended March 31,2019
Cash flow from operating activities:		
Net loss for the period	**(9,061,040)**	(11,284,865)
Items not involving cash:		
Accrued interest on leases	209,616	271,175
Amortization of intangible assets	10,167	23,395
Depreciation of property, plant and equipment	874,081	929,496
Share-based payments	1,038,147	-
Accrued coupon interest on convertible debentures	400,000	-
Accrued interest on convertible debentures	146,995	-
Accrued interest on note payable	100,968	-
Changes in non-cash working capital items:		
Accounts receivable	414,609	149,457
Note receivable	(270,997)	-
Prepaid expenses	111,820	601,439
Accounts payable and accrued liabilities	(1,120,397)	(673,740)
Due from related parties	(43,935)	4,908
Deposits	(487,387)	-
Due to related parties	6,222	(10,897)
Inventory	(556,457)	(107,940)
Net cash provided by (used in) operating activities	**(8,227,588)**	(9,697,011)
Cash flows from investing activities		
Acquisition of Intangible assets	(132,653)	-
Acquisition of property, plant and equipment	(114,003)	(284,073)
Non controlling interest in subsidiary	981,943	-
Net cash provided by (used in) investing activities	**(735,287)**	(284,073)
Cash flow from financing activities:		
Principal payments on lease obligations	(572,070)	(942,092)
Interest payments on lease obligations	(209,616)	(271,175)
Short term promissory note received	-	19,716,000
Net cash provided by (used in) financing activities	(781,686)	18,502,734
Foreign exchange affecting cash	(909,287)	(78,214)
Change in cash during the period	(9,183,274)	8,443,435
Cash, beginning of period	15,138,092	13,277,577
Cash, end of period	**5,954,818**	21,721,012

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

1. NATURE OF OPERATIONS AND GOING-CONCERN

Ignite International Brands, Ltd. ("Ignite Pubco", "Ignite" or the "Company") is a publicly traded company currently listed on the Canadian Securities Exchange ("CSE"), trading under the symbol "BILZ" and on the OTCQX trading under the symbol "BILZF". The Company was originally incorporated in the Province of British Columbia on February 25, 1985 under the name "Info-Stop Communications Inc." by articles of incorporation pursuant to the provisions of the *Ministry of Consumer and Corporate Affairs Company Act*. On May 30, 2019, the Company completed a business combination constituting a reverse takeover transaction ("RTO Transaction") (note 7) and acquired all of the shares of Ignite International, Ltd. ("Ignite US"). The RTO Transaction was in response to business realities and market demand to operate the businesses of Ignite US and the Company together and, as a result, the Company was required to change its business focus from being an investment company to a consumer goods company leveraging the IGNITE brand engaging in the business of cultivation, development, extraction and distribution of consumer packaged goods. Subsequent to the RTO transaction, the Company continued under the name Ignite International Brands, Ltd. The registered and records office is located at 700 West Georgia Street, 25th floor, Vancouver, British Columbia V7Y 1B3, Canada.

The Company leverages the IGNITE brand via multiple product platforms in the cannabidiol ("CBD"), cannabis, and beverage sectors. The Company expanded its business to include branding, marketing, licensing, sales and distribution, across the United States, Canada and other key international jurisdictions including but not limited to the United Kingdom and Mexico by employing multiple IGNITE branded product platforms. The Company continues to affect this expansion through brand leverage, product development, targeted marketing, and strategic supply chain partnerships in each of its active and target jurisdictions.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. For the period ended March 31, 2020, the Company had net loss of $8,839,951 attributed to shareholders, negative cash flow from operations of $8,227,588, and positive working capital of $2,975,240. As at March 31, 2020, the Company had an accumulated deficit of $92,493,514.

The Company will need to raise capital in order to fund its operations and continue its existing and prospective expansion into strategic markets. This need may be adversely impacted by uncertain capital market conditions, including those created by the COVID—19 pandemic, an inability to secure strategic partnerships in key markets, and an unfavorable perception of the IGNITE brand. Management has taken steps to mitigate the risks due to the pandemic (note 28).

Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. The uncertainty of the Company's ability to achieve profitable operations and its success in raising additional capital funding may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future.

These consolidated financial statements were authorized for issuance by Board of Directors of the Company (the "Board of Directors") on July 15, 2020.

2. BASIS OF PRESENTATION

A) STATEMENT OF COMPLIANCE

These interim consolidated financial statements of the Company ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The preparation of financial statements requires the use of certain critical accounting estimates, which requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 5.

B) BASIS OF MEASUREMENT

These consolidated financial statements have been prepared and presented in Canadian dollars; the functional and presentation currency of the Company and, have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. These financial statements have been prepared using the accrual basis of accounting except for cash flow information. As a result of the completion of the RTO Transaction on May 30, 2019 (note 7), the comparative information within these financial statements are that of Ignite US, the accounting acquirer.

C) FUNCTIONAL AND PRESENTATION CURRENCY

All figures presented in these consolidated financial statements are reflected in Canadian dollars, unless otherwise noted, which is the functional currency of the Company. Foreign currency transactions and translation into Canadian dollars is computed in accordance with the Company's foreign currency and foreign currency translation accounting policies (note 6). Functional currencies of subsidiaries included in these consolidated financial statements can be found in note 3.

3. BASIS OF CONSOLIDATION

A) SUBSIDIARIES AND INVESTMENTS WITH CONTROLLING INTERESTS

Subsidiaries are those entities which the Company has power over the investee, is exposed to or has rights to variable returns from its involvement with an investee and has the ability to affect these returns through its power over the investee. The Company has applied the full consolidation method for entities that meet the criteria for consolidation. Consequently, all significant balances and effects of any transactions taking place between them have been eliminated in the consolidation process. If necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those used by the Company.

Investments, when applicable, held by non-controlling shareholders in the Company's equity and results are respectively presented in the "non-controlling interests" item of the consolidated statement of financial position and of the consolidated statement of loss and comprehensive loss. The profit or loss of any subsidiaries acquired or disposed of during the financial year are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition or until to the effective date of disposal, as appropriate.

(In Canadian Dollars)

Subsidiaries and investments included within these interim consolidated financial statements include:

Name of Subsidiary and investments	Place of Incorporation	Ownership Interest	Functional Currency	Activity
Ignite International, Ltd.	Wyoming, United States	100%	USD	Active
Ignite Beverages, Inc.	Delaware, United States	100%	USD	Active
Ignite International Brands (U.K.) Ltd.	London, United Kingdom	100%	GBP	Active
Ignite International Brands (Canada), Ltd.	Ontario, Canada	100%	CAD	Active
Ignite International Brands (Ireland), Limited	Dublin, Ireland	100%	EUR	Active
Ignite Distribution, LLC.	New York, United States	50.1%	USD	Active
Ignite Internacional Marcas de Mexico, SA de CV	Guadalajara, Jalisco, Mexico	100%	MXN	Active

See segmented information (note 27) for a description of the operational activities for each subsidiary.

B) BUSINESS COMBINATIONS

The Company applies the purchase method to account for acquisitions. Consideration is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Transaction costs directly attributable to the business combination are expensed as incurred. Identifiable net assets are measured at their fair values at the acquisition date except for non-current assets that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

Any excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded by the Company as goodwill. In circumstances where the acquisition cost is less than the fair value of the net assets acquired, the difference is recognized directly in profit or loss.

Non-controlling interest in the acquiree are initially measured at the non-controlling shareholder’s fair value. The measurement of contingent consideration at fair value on the acquisition date is performed with subsequent changes in the fair value recorded through the consolidated statements of loss and comprehensive loss.

4. ADOPTION OF NEW STANDARDS AND ACCOUNTING INTERPRETATIONS

A) IFRS 16 - LEASES

On January 1, 2019, the Company adopted IFRS 16. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease ("IFRIC 4"), the accounting for onerous lease liabilities which were previously measured under IAS 37 Provisions ("IAS 37") and other related IFRS interpretations. IFRS 16 prescribes a single recognition and measurement model for lease contracts and requires the recognition of a right-of-use asset and corresponding lease liability for most leases, including subleases.

(In Canadian Dollars)

The Company elected to adopt IFRS 16 using the simplified method by recognizing an opening balance sheet adjustment for the Company's discounted right-of-use assets and corresponding lease liabilities as at January 1, 2019. The Company has elected to account for short-term leases taking no practical expedients. Accordingly, there was no opening adjustment to retained earnings and the comparative 2018 statements of comprehensive income and cash flows have not been restated to reflect the accounting presentation prescribed under IFRS 16.

The adoption of the new standard resulted in the recognition of a right-of-use asset and corresponding lease obligation of $7,940,001 recorded in in the consolidated statement of financial position. The right of use asset will be amortized over the remaining term of the lease and the liability will be discounted at effective interest rates between 7.5% and 8.0%.

	Adoption of IFRS 16 01-Jan-19	31-Dec-19	31-Mar-20
	$	$	
Right-of-use assets	7,940,001	5,553,598	5,196,690
Lease obligations	7,940,001	5,764,526	5,478,689

B) IFRIC 23 – UNCERTAINTY OVER INCOME TAX TREATMENT

IFRIC 23 provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on January 1, 2019. The Company completed an assessment of IFRIC 23 as at the adoption date. The adoption had no quantitative impact on the Company's financial statements.

C) AMENDMENT TO IFRS 3 - DEFINITION OF A BUSINESS

October 2018, the IASB issued amendments to IFRS 3, incorporated into Part I of the CPA Canada Handbook - Accounting by the Accounting Standards Board in December 2018. The amendments clarify the definition of a business, permitting a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments were effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 with earlier application permitted. Effective January 1, 2019, the Company adopted the amendments and assessed the RTO Transaction entered into during the year (note 7) to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The Company has determined the acquisition as described in note 7 meets the definition of a business and therefore has been accounted as a business combination.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these consolidated financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the application of accounting policies and the reported amounts contained with in the results. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed by management each period for reasonability. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the financial statements can be found on www.sedar.com in the Company's most recently filed audited financial statements for the year ended December 31, 2019.

6. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in these interim financial statements are consistent with those followed in preparation of the audited financial statements for the year ended December 31, 2019 which can be found on www.sedar.com in the Company's most recently filed audited financial statements.

7. REVERSE TAKE-OVER ("RTO")

On February 28, 2019, the Company entered into a Letter Agreement with Ignite International, Ltd. ("Ignite US"). The transaction constituted a change of business and a reverse take-over ("RTO") under the rules of the CSE whereby the Company would acquire all of the issued and outstanding common shares of Ignite US in exchange for securities of the Company (the "RTO Transaction").

Pursuant to the terms of the Agreement, the Company created a new class of proportionate voting shares (the "Proportionate Voting Shares") and renamed its current class of CSE-listed common shares as "Subordinate Voting Shares". The Proportionate Voting Shares and Subordinate Voting Shares have the same rights, are equal in all respects and will be treated by the Company as if they were shares of one class only. Proportionate Voting Shares at any time, at the option of the holder, but subject to certain conversion conditions to ensure that the Company remains a "foreign private issuer" (as such term is defined in Rule 405 of Regulation C under the U.S. Securities Act of 1933 (the "SEC Rules")), are convertible into Subordinate Voting Shares at a ratio of 200 Subordinate Voting Shares for each Proportionate Voting Share. Prior to conversion, each Proportionate Voting Share will carry 200 votes per share compared to one vote per Subordinate Voting Share.

The Agreement provided that the Company acquire all the Ignite US shares it did not already hold in exchange for 756,257 Proportionate Voting Shares and 67,681,000 Subordinate Voting Shares, which would result in Ignite US becoming a wholly owned subsidiary of the Company. At the time of the RTO Transaction, the Company owned 5,000,000 shares of Ignite US valued at $1,724,246, which were obtained in a share exchange with Ignite US on September 29, 2019. As a result, approximately 91.4% of the equity securities of the Company were issued to Ignite US shareholders pursuant to the Transaction and, following the Transaction, the existing Ignite US shareholders held approximately 95.6% of the equity securities of the Company assuming in each case the conversion of all Proportionate Voting Shares into Subordinate Voting Shares.

(In Canadian Dollars)

Concurrent with the RTO, the Company completed a non-brokered offering (the “Offering”) of 17,200,000 subscription receipts (“the Subscription Receipts”) at a price of $1.50 per Subscription Receipt for gross proceeds of $25,800,000 (the “Offering Proceeds”). The Offering was completed in conjunction with the Transaction and the Offering Proceeds were held in escrow and released upon satisfaction of certain escrow release conditions, which were met on May 30, 2019. Upon satisfaction of the escrow release conditions, each subscription receipt automatically converted into one subordinate voting share of the Company.

The Company has accounted for the RTO Transaction as a business combination under the scope of IFRS 3, Business Combination. The consideration paid consisted entirely of shares of the Company which were measured at the fair value of the shares that the Company would have been required to issue to Ignite US shareholders had the Transaction been structured as a legal acquisition of Ignite US by the Company. The deemed fair value of these shares was $31,075,635. Accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date.

The Company recognized goodwill in the amount of $18,355,408 resulting from the RTO Transaction. Details of the carrying amount and the fair value of identifiable assets and liabilities acquired and purchase consideration paid is as follows:

Consideration paid	**$**
Fair value of shares issued	31,075,635
Fair value of Ignite US shares held by Ignite Pubco	1,724,246
Fair value of replacement warrants	20,399
Fair value of replacement stock options	90,265
Total consideration	**32,910,545**

Identifiable assets (liabilities) acquired	**$**
Cash	4,543,808
Receivables	249,294
Prepaid expenses	561,625
Investments	3,224,246
Promissory notes	6,379,870
Property, plant, and equipment	196,226
Accounts payable and accrued liabilities	(523,358)
Lease obligations	(76,574)
Total identifiable net assets	**14,555,137**
Excess consideration over net identifiable assets (goodwill)	**18,355,408**
Total consideration	**32,910,545**

The Company recognized $666,391 in expenses relating to the RTO Transaction in 2019.

8. CONVERTIBLE DEBT OFFERING

On October 4, 2019, the Company announced a non-brokered private placement of convertible debenture units (the "Units") for up to $50 million (the "Offering"), issuable in series (each, a "Series").

On October 25, 2019, the Company closed the first series ("Series A") of the Offering of Units selling 10,000 Units for aggregate gross proceeds of $10,000,000 (the "Series A Convertible Debentures").

Each Unit issued in Series A comprises of $1,000 principal amount of unsecured senior convertible debentures (a "Convertible Debenture") accruing interest at 8.0% per annum, payable semi-annually in arrears until maturity, and 250 subordinate voting share purchase warrants of the Company (each, a "Warrant"). The Series A Convertible Debentures have a maturity date of October 25, 2022.

Subject to the Company's early redemption right (as described below), the Series A Convertible Debentures are convertible, at the option of the holder, into subordinate voting shares at a price equal to $2.66 at any time prior to the close of business on October 24, 2022. Each Warrant issued in Series A entitles the holder thereof to acquire one Subordinate Voting Share (a "Warrant Share") at an exercise price equal to $3.32 (the "Series A Conversion Price") at any time up to October 25, 2022.

Beginning on October 26, 2020, the Company may, at its option, require the conversion of the then-outstanding principal amount of the Series A Convertible Debentures (plus any accrued and unpaid interest thereon) at the Series A Conversion Price, in the event that the daily volume-weighted average trading price (the "VWAP") of the Subordinate Voting Shares on the CSE exceeds two times such Conversion Price for any 10-consecutive trading day period (the "Series A Redemption Right").

On December 10, 2019, the Company closed the second series ("Series B") of the Offering selling 10,000 Units for aggregate gross proceeds of $10,000,000 (the "Series B Convertible Debentures").

The Series B Convertible Debentures have a maturity date of December 10, 2022.

Subject to the Company's early redemption right (as described below), the Series B Convertible Debentures are convertible, at the option of the holder, into Subordinate Voting Shares of the Company at a price equal to $2.39 (the Series B Conversion Price) at any time prior to the close of business on December 9, 2022. Each Warrant issued in Series B entitles the holder thereof to acquire one Subordinate Voting Share at an exercise price equal to $3.22 at any time up to December 10, 2022.

Beginning on December 11, 2020, the Company may, at its option, require the conversion of the then-outstanding principal amount of the Series B Convertible Debentures (plus any accrued and unpaid interest thereon) at the Series B Conversion Price, in the event that the daily volume-weighted average trading price of the Subordinate Voting Shares on the CSE exceeds two times such Conversion Price for any 10-consecutive trading day period.

The Series A and Series B Convertible Debentures were valued on each of the perspective closing dates in accordance to IFRS 9 and IAS 32. In accessing the nature of the Convertible Debentures under this guidance, it was assessed that the Convertible Debentures did not trigger a derivative liability; thus, were valued allocating the face value to each of convertible debenture liability and equity.

(In Canadian Dollars)

The equity component included in the Series A Convertible Debentures was the residual after determining the fair value of liability using a 12% discount rate. The equity component was split between the conversion feature and warrant based relative fair value model using the Black-Scholes model to establish the fair value of equity portion and warrants granted by applying the following assumptions: stock price of $2.23; expected life of 3 years; $nil dividends; 143.82% volatility; exercise price of $2.66; and a risk-free interest rate of 1.68%. Warrants attached to the Series A Convertible Debentures were also valued using the Black-Scholes model (note 19). Transaction costs were allocated to each of the Series A Convertible Debentures and the equity portion on a prorated basis. The valuation resulted in $8,927,093 in convertible debenture liabilities, $603,328 in contributed surplus and $388,097 in warrant reserves on the consolidated statement of financial position.

The equity component included in the Series B Convertible Debentures was the residual after determining the fair value of liability using a 12% discount rate. The equity component was split between the conversion feature and warrant based relative fair value model using the Black-Scholes model to establish the fair value of the equity portion and warrants granted by applying the following assumptions: stock price of $1.45; expected life of 3 years; $nil dividends; 95.06% volatility; exercise price of $2.39; and a risk-free interest rate of 1.68%. Warrants attached to the Series A Convertible Debentures were also valued using the Black-Scholes model (note 19). The valuation resulted in $9,010,467 in convertible debenture liabilities, $650,768 in contributed surplus and $338,765 in warrant reserves on the consolidated statement of financial position.

A reconciliation of convertible debenture liability is as follows:

	$
Balance, December 31, 2019	
Additions	20,000,000
Equity portion of convertible debt	(1,980,958)
Transaction costs	(81,483)
Accretion	264,328
Current portion	(193,333)
Balance, December 31, 2019	18,008,555
Accretion	546,995
Current portion	(400,000)
Balance, March 31, 2020	**18,155,550**

During the period ended March 31, 2020, the Company recorded $400,000 (2019: $193,333) in interest on convertible debt which is included in coupon interest payable on the interim consolidated statement of financial position. On March 31, 2020, the holders of the Series A and Series B Convertible Debentures agreed to defer coupon interest owing as in the amount of $193,333 to be deferred to June 30, 2020. On June 30, 2020, the deferral was further extended to December 31, 2020.

(In Canadian Dollars)

9. RECEIVABLES

A) ACCOUNTS RECEIVABLE

The Company's accounts receivable is comprised of the following amounts:

	31-Mar-20	31-Dec-19
	$	$
Trade receivables	758,794	696,757
Sales tax recoverable	328,606	759,861
Total accounts receivable	**1,087,400**	**1,456,618**

B) NOTE RECEIVABLE

On August 23, 2017, the Company entered into a Letter of Agreement (the "LOA") with a US based cannabis cultivation company ("Tahoe"). The terms of the LOA included a loan, from the Company to Tahoe, for USD$3,000,000 to be implemented prior to October 15, 2017. On April 24, 2018, the Company and Tahoe mutually terminated the LOA and replaced it with a promissory note evidencing the existing advance of USD$1,350,000 from the Company to Tahoe with a 6% annual interest rate. Terms of the promissory note require Tahoe to make blended monthly installment payments of USD$78,613 and maturing on December 31, 2019. During the year ended December 31, 2019, the promissory note and related accrued interest was paid in full.

On February 17, 2020, the Company issued a USD$200,000 non-interest bearing note promissory note to Ignite Social, LLC.

10. INVENTORY

The Company's inventory is comprised of the following amounts:

	31-Mar-20	31-Dec-19
	$	$
Merchant apparel	118,598	108,575
Finished goods	5,039,546	3,834,191
Finished goods in process	-	357,676
Raw Materials	1,970,035	1,768,822
Total inventory	**7,128,179**	**6,069,264**

Raw materials inventory includes advance purchases of finished goods inputs to be processed by contract manufacturers.

(In Canadian Dollars)

11. DEPOSITS

The Company's short term deposits are disaggregated as follows:

	31-Mar-20	31-Dec-19
	$	$
Short-term deposits		
Purchase order deposits	1,364,613	1,043,747
Trade deposits	662,337	442,089
Retainers	32,730	5,152
Term deposit	29,733	28,750
Letter of credit	283,740	259,760
Total short-term deposits	**2,373,153**	**1,779,498**
Long-term deposits		
Security deposits	72,894	66,734
Total long-term deposits	**72,894**	**66,734**

12. PREPAID EXPENSES

The Company's prepaid expenses are comprised of the following amounts:

	31-Mar-20	31-Dec-19
	$	$
Expenses	176,019	280,462
Total prepaid expenses	**176,019**	**280,462**

13. INVESTMENTS

A) NUMINUS WELLNESS INC. (FORMERLY SALVATION BOTANICALS LTD.)

On February 21, 2018, Company entered into an agreement to acquire 3,000,000 units of Salvation Botanicals Ltd. ("Salvation") at a price of $0.50 per unit for a total cost of $1,500,000 pursuant to a subscription agreement between the Company and Salvation (the "Subscription Agreement"). Each unit is comprised of one common share of Salvation and one-half of one common share purchase warrant exercisable into one-half additional share of Salvation at a price of $0.75 for a term of eighteen months.

Subsequent to December 31, 2019, Salvation completed a reverse take-over transaction with Rojo Resources Ltd ("Rojo"), and changed the name of the resulting issuer to Numinus Wellness Inc. (NUMI:TSXV) ("Numinus"). Concurrent with the reverse-takeover transaction, Rojo completed a non-brokered private placement of subscription receipts at $0.25 per subscription receipt, with each subscription receipt entitling the holder to receive one common share and one-half of a share purchase warrant of Numinus.

As a result, the Company recorded an unrealized loss on its investment in Numinus of $750,000 which is recorded in the statement of loss and comprehensive loss. The unrealized loss was determined using Level 2 inputs.

(In Canadian Dollars)

B) JOINT VENTURE - IGNITE SOCIAL, LLC.

On December 19, 2019, Ignite Distribution, LLC become a member of Ignite Social, LLC ("Ignite Social"), a limited liability company in the State of Delaware, with a sixty percent (60%) ownership. The initial capital contribution required by each member was set at $nil. The membership facilitated a partnership agreement with a global entrepreneur and industry leader in hemp and CBD. The partnership was formed to allow individuals and social media influencers to work with the Company directly and initiate a social selling concept that allows an influencer's direct and indirect value to be measured. Ignite Social will offer a distinct and unique set of nutraceuticals and performance wear products for its members to enjoy and promote as well as exclusive sponsored events all around the world for its members.

As at March 31, 2020, attributed loss on the investment exceeded the Company's interest; thus, no losses have been recognized. At the date of filing these financial statements management is assessing the potential for impairment on this instrument.

14. PROPERTY, PLANT AND EQUIPMENT

A continuity of the property, plant, and equipment, including finance leases, is as follows:

	Leasehold Improvements	Furniture & Fixtures	Computer Hardware	Machine & Equipment	Right of Use Assets	Total
	$	$	$	$	$	$
Balance, December 31, 2018	450,750	-	-	-	-	450,750
RTO Transaction	4,541	96,709	18,715	-	76,261	196,226
Additions	173,080	557,683	135,764	133,366	1,585,726	2,585,619
Adoption of IFRS 16					7,940,001	7,964,521
Disposals	(520,817)	(27,159)	-	-	(744,070)	(1,292,046)
Cost, December 31, 2019	**107,554**	**627,233**	**154,479**	**133,366**	**8,857,918**	**9,880,550**
Additions	-	4,965	-	109,038	-	114,003
Disposals	-	-	-	-	-	-
Cost, March 31, 2020	**107,554**	**632,198**	**154,479**	**242,404**	**8,857,918**	**9,994,553**
Accumulated depreciation						
Balance, December 31, 2018	32,469	-	-	-	-	32,469
Depreciation for the year	113,214	63,937	8,931	8,021	3,167,261	3,361,364
Disposals	(117,995)	(905)	-	-	(175,075)	(293,975)
Balance, December 31, 2019	**27,688**	**63,032**	**8,931**	**8,021**	**2,992,186**	**3,099,858**
Depreciation for the period	9,818	32,048	7,912	4,665	819,638	874,082
Balance, March 31, 2020	**37,506**	**95,080**	**16,843**	**12,686**	**3,811,824**	**3,973,939**
Foreign currency movement						
Balance, December 31, 2019	**6,610**	**(8,505)**	**(2,737)**	**(1,975)**	**(312,134)**	**(318,741)**
Balance, March 31, 2020	**13,693**	**33,482**	**8,564**	**7,890**	**126,076**	**189,705**
Net book value						
Balance, December 31, 2019	**86,477**	**555,696**	**142,812**	**123,371**	**5,553,598**	**6,461,951**
Balance, March 31, 2020	**83,741**	**570,601**	**146,200**	**237,608**	**5,196,690**	**6,234,840**

(In Canadian Dollars)

15. INTANGIBLE ASSETS

A continuity of the intangible assets, is as follows:

	Software Development & Design	Patents & Trademarks	Total
	$	$	$
Balance, December 31, 2018	39,217	194,355	233,572
Additions	16,725	92,883	109,608
Disposals	-	-	-
Balance, December 31, 2019	**55,942**	**287,238**	**343,180**
Additions	26,250	106,403	132,653
Disposals	-	-	-
Balance, March 31, 2020	**82,192**	**393,641**	**475,832**
Accumulated amortization			
Balance, December 31, 2018	-	1,080	1,080
Amortization for the year	6,024	100,623	106,647
Balance, December 31, 2019	6,024	101,703	107,727
Amortization for the period	1,873	8,294	10,167
Balance, March 31, 2020	**7,897**	**109,997**	**117,894**
Foreign currency movement			
Balance, December 31, 2019	222	626	848
Balance, March 31, 2020	**59,192**	**304,595**	**363,787**
Net book value			
Net book value, December 31, 2018	41,290	203,493	244,783
Net book value, December 31, 2019	**50,140**	**186,161**	**236,301**
Net book value, March 31, 2020	**77,545**	**301,001**	**378,546**

16. OPTION TO PURCHASE

On May 27, 2018, the Company entered into a three-year option agreement that provided a right to purchase a residential property (“Option to Purchase”). The consideration paid by the Company for the right to purchase was $5,000,000 USD. Terms of the option agreement, expiring June 1, 2021, allow the Company to acquire the property at varying purchase prices based on when the option is exercised. The options to purchase are as follows:

Option Exercise Date	Exercise Price (USD)	USD:CAD 31-Mar-20	Exercise Price (CAD)
May 31, 2020*	62,500,000	1.4187	88,668,750
May 31, 2021	65,000,000	1.4187	92,215,500

**option expired unexercised*

Subsequent to the date of these financial statements, the Company executed a settlement agreement and release in relation to the Option to Purchase (see note 28).

(In Canadian Dollars)

17. LEASE OBLIGATIONS

A continuity of right of use liabilities is as follows:

	31-Mar-20	31-Dec-19
Opening balance	6,124,357	7,940,001
Adoption of IFRS 16 (note 4)	-	76,574
Acquired on RTO (note 7)	-	1,585,726
Additions	-	(568,995)
Disposals	-	597,434
Interest Accretion	209,616	(597,434)
Interest Payments	(221,057)	(2,908,949)
Principal Payments	(808,169)	6,124,357
Ending balance	5,394,747	(359,831)
Effects of foreign exchange	173,943	(4,025,502)
Less: Current portion	(4,615,273)	1,739,024
Long-term lease obligation	**863,416**	7,940,001

Future minimum lease payments (principal and interest) on the leases is as follows:

	31-Mar-20
	$
2020	1,459,504
2021	661,634
2022	645,839
2023	726,661
2024	748,461
Thereafter	573,441
Total minimum lease payments	4,815,540
Present value of minimum lease payments	3,929,660
Effect of discounting	(1,549,029)
Current portion lease obligations	(4,615,273)
Long term lease obligations	**863,416**

18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

A) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company had the following accounts payable and accrued liabilities:

	31-Mar-20	31-Dec-19
	$	$
Trade payables	3,268,313	4,340,228
Accrued liabilities and other	864,690	1,221,806
Sales tax payable	-	29,120
Total accounts payable and accrued liabilities	**4,133,003**	**5,591,154**

B) NOTE PAYABLE

On April 26, 2018, Ignite US an unsecured convertible promissory note for $5,000,000, maturing on April 26, 2020. The promissory note bears an interest rate equal to eight percent (8%) per annum. The principle and accrued interest payable are due in full on the earlier of maturity of the note or conversion. The holder of the note is Ignite Pubco. For the year ended December 31, 2019, as a result of the RTO Transaction (note 7), the note has been eliminated on consolidation of these consolidated financial statements.

On May 16, 2019, Ignite Distribution, LLC ("Ignite USJO") issued a secured promissory note to International Investments ("II") for USD$3,000,000 (the "II Note"), maturing on May 16, 2020. The promissory note bears an interest rate equal to ten percent (10%) per annum. The principle and accrued interest payable are due in full on maturity of the note. Collateral on the promissory note is security interest in all the membership interests of Ignite USJO.

At March 31, 2020, the promissory note balance is $4,615,273, which includes $358,222 in interest payable.

Subsequent to March 31, 2020, the II Note was amended and restated (note 28).

19. SHARE CAPITAL AND RESERVES

A) AUTHORIZED

In 2019, prior to the RTO Transaction (note 7), the Company's ownership was comprised of one class of common shares, all having one voting right. Ownership continued to comprise of one class of common shares until the common shares were cancelled on May 30, 2019 in conjunction with the RTO Transaction.

Subsequent to RTO Transaction, and at March 31, 2020, the authorized shares were as follows:

Unlimited number of subordinate voting shares without par value;
Unlimited number of proportionate voting shares without par value.

Subordinate voting share holders are entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company.

Proportionate voting shares are convertible, in accordance with qualifying conditions (note 7), into subordinate voting Shares. Prior to conversion, each proportionate voting share will carry 200 votes per share compared to one vote per subordinate voting share. The proportionate voting shares each have a restricted right to convert into 200 subordinate voting shares. The ability to convert the proportionate voting shares is subject to a restriction that the aggregate number of subordinate voting Shares and proportionate voting shares held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 under the U.S. Exchange Act), may not exceed forty percent (40%) of the aggregate number of subordinate voting shares and proportionate voting shares issued and outstanding after giving effect to such conversions and to a restriction on beneficial ownership of subordinate voting shares exceeding certain levels. In addition, the proportionate voting shares will be automatically converted into subordinate voting shares in certain circumstances, including upon the registration of the subordinate voting shares issuable upon conversion of all the proportionate voting shares for resale under the U.S. Securities Act. Holders of proportionate voting shares will be entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company. If a dividend is declared for the subordinate voting shares, holders of the proportionate voting shares shall be entitled to receive the same dividend with respect to each subordinate voting share into which such proportionate voting share could then be converted.

(In Canadian Dollars)

B) ISSUED AND OUTSTANDING

On May 30, 2019, the Company completed a non-brokered offering of 17,200,000 subscription receipts at a price of $1.50 per Subscription Receipt for gross proceeds of $25,800,000 (the "Offering Proceeds"). Transaction costs related to the non-brokered offering amounted to $38,652, which were recorded by the Company as a reduction to share capital. The Offering was completed in conjunction with the Transaction and the Offering Proceeds were held in escrow to be released upon satisfaction of certain escrow release conditions, which conditions were met on May 30, 2019 in connection with the RTO (note 7). Upon satisfaction of the escrow release conditions, each Subscription Receipt automatically converted into one subordinate voting share of the Company.

On May 30, 2019, 87,616,000 common shares were cancelled and replaced with 67,681,000 subordinate voting shares and 756,257 proportionate voting shares as a result of the RTO Transaction (note 7).

On October 4, 2019, replacement warrants were exercised for gross proceeds of $169,343 triggering an issuance of 78,764 subordinate voting shares. In connection with the exercise of warrants, a total of $12,363 was transferred from warrant reserve to share capital.

On November 7, 2019, certain holders of proportionate voting shares exercised the conversion option resulting in the cancellation of 7,632 proportionate shares and the issuance of 1,526,000 subordinate voting shares.

As at March 31, 2020, the Company had the following shares outstanding:

Series	Outstanding	As converted
	#	#
Subordinate Voting Shares	107,203,254	107,203,254
Proportionate Voting Shares	748,625	149,725,000
	107,951,879	**256,928,254**

C) STOCK OPTIONS

The Company established a stock option plan to govern the grant, administration and exercise of stock options which may be granted to eligible optionees. The plan is designed to be a "rolling" stock option plan under CSE Policies, reserving at any one time a maximum of 10% of the issued shares of the Company for the exercise of options. The maximum term of an option granted is ten (10) years from the date of grant and no option is exercisable until it has vested in accordance with a vesting schedule set out by the administrator. An option price shall not be less than the discounted market price on the date before the grant.

(In Canadian Dollars)

Pursuant to the Company's stock option plan, the Company issued the following stock options during the period ended March 31, 2020 and the year-ended December 31, 2019. The Company used the Black-Scholes model to establish the fair value of options granted by applying the following assumptions

Grant Date	Options Granted/Cancelled	Stock price on date of grant	Exercise price	Volatility	Risk free rate	Dividends	Expected life
	#	$	$	%	%	$	years
Balance, 31-Dec-18	-	-	-	-	-		-
30-May-19[1]	1,200,000	1.50	3.50-5.00	73.0	1.47	$nil	3-5
05-Nov-19	4,330,000	2.13	2.25	104.3	1.66	$nil	4.58
29-Nov-19[2]	(1,160,000)	1.50	3.50	73.0	1.47	$nil	3-5
30-Dec-19	1,220,000	1.39	2.25	67.75	1.69	$nil	4.43
Balance, December 31, 2019	**5,190,000**						
27-Feb-20	100,000	1.10	2.25	133.75	0.99	$nil	4.27
Balance, March 31, 2020	**5,290,000**						

[1] Replacement options in connection with the RTO Transaction (note 7)

[2] The Board determined that it was in the best interests of the Corporation to cancel 1,160,000 stock options, originally reissued as a result of the RTO Transaction (note 7), held by certain executives and director for no monetary consideration. Each of the option holders voluntarily surrendered such stock options held by them and provided the Company with written consent regarding the cancellation of such stock options. These options were replaced with new options granted on December 30, 2019.

The number of stock options and weighted average exercise prices are as follows:

	Option granted	Weighted average exercise price
	#	$
Balance as at December 31, 2019	**5,190,000**	**2.27**
Options issued	100,000	2.25
Options forfeited	(135,000)	2.25
Balance Outstanding March 31, 2020	**5,155,000**	**2.27**
Balance Exercisable December 31, 2019	**40,000**	**5.00**
Balance Exercisable March 31, 2020	**40,000**	**5.00**

Stock Options are measured at fair value at the date of grant and are expensed over the option's vesting period. For the period ended March 31, 2020, the Company recorded $1,038,147 in share-based compensation expense and option reserve related to unvested stock options (2019-03-31: $nil).

The following reflects the remaining contractual life for outstanding and exercisable options as at March 31, 2020:

	Outstanding			Exercisable	
Expiry date	**Exercise price**	**Options**	**Remaining contractual life**	**Options**	**Remaining contractual life**
	$	#	(years)	#	(years)
30-Apr-23	5.00	40,000	3.08	40,000	3.08
03-Jun-24	2.25	5,155,000	4.18	-	-
		5,155,000	**4.17**	**40,000**	**3.08**

(In Canadian Dollars)

D) WARRANTS

On May 30, 2019, the Company completed an RTO Transaction (note 7) whereby 119,719 warrants issued as replacement warrants for warrants held by warrant holders of Ignite Pubco. The Company used the Black-Scholes model to establish the fair value of replacement warrants granted by applying the following assumptions: stock price of $1.50; expected life of 2 years; $nil dividends; 92.97% volatility; exercise price of $2.15; and a risk-free interest rate of 1.47%. As such, the fair value of all outstanding warrants of the accounting acquiree, $20,399, was applied to consideration paid.

In connection with the closing of Series A of the Offering on October 25, 2019 (note 8), the Company issued 2,500,000 subordinate voting share purchase warrants. On December 10, 2019, the Company closed the Series B of the Offering and issued an additional 2,500,000 subordinate voting share purchase warrants. The Company used the Black-Scholes model to establish the fair value of options granted by applying the following assumptions: stock price of $1.45-$2.23; expected life of 3 years; $nil dividends; 95.06%-143.82% volatility; exercise price of $3.22-$3.32; and a risk-free interest rate of 1.68%.

As at March 31, 2020, the number of outstanding warrants and weighted average exercise prices are as follows:

	Warrants granted	Weighted average exercise price
	#	$
Balance at December 31, 2018	-	-
Warrants acquired in RTO (note 7)	119,719	2.15
Warrants issued	5,000,000	3.27
Warrants exercised	(78,764)	2.15
Warrants expired	(40,955)	2.15
Balance Outstanding December 31, 2019	**5,000,000**	**3.24**
Balance Outstanding March 31, 2020	**5,000,000**	**3.24**

As of March 31, 2020, the Company had outstanding warrants as follows:

	Outstanding			Exercisable	
Expiry dates	**Warrants outstanding**	**Exercise price**	**Remaining Contractual Life**	**Exercisable Warrants**	**Remaining Contractual Life**
Date	**#**	**$**	**years**	**#**	**years**
25-Oct-22	2,500,000	3.32	2.57	2,500,000	2.57
10-Dec-22	2,500,000	3.22	2.70	2,500,000	2.70
Total warrants	**5,000,000**		**2.63**	**5,000,000**	**2.63**

(In Canadian Dollars)

20. LOSS PER SHARE

As at March 31, 2020, the Company had 107,203,254 subordinate voting shares and 748,625 proportionate voting shares outstanding, 5,190,000 stock options outstanding and 5,000,000 warrants outstanding.

No stock options or warrants have been included in the computation of diluted loss per share as their effect would be anti-dilutive.

Loss per share for the period ended March 31, 2020 and 2019 are as follows:

	For the period ended 31-Mar-20	For the period ended 31-Mar-19
	$	$
Loss attributable to Ignite Pubco shares ($)	(8,839,951)	(11,284,865)
Weighted average number of shares outstanding	272,371,753	87,616,000
Net loss per share, basic and diluted ($)	**(0.03)**	**(0.13)**

21. REVENUES

The Company generates three revenue streams. Revenue for the period ended March 31, 2020 and 2019 is as follows:

	For the period ended 31-Mar-20	For the period ended 31-Mar-19
	$	$
E-Commerce sales	876,760	1,416,603
Wholesale sales	788,786	-
Royalties	29,112	108,056
Total Sales	**1,694,658**	**1,524,658**

22. NON-CONTROLLING INTERESTS

During the year ended December 31, 2019 the Company incorporated Ignite Distribution, LLC and signed an operating agreement with ECVD/MMS Wholesale LLC (d/b/a UBIQ) ("UBIQ"). In connection with the operating agreement, the Company contributed $673,294 (USD$501,000) for a 50.1% interest and UBIQ contributed $670,606 (USD$499,000) for a 49.9% interest in Ignite Distribution, LLC. Based on the terms of the operating agreement, the Company maintains control and has consolidated the operations.

On January 21, 2020, capital contribution was made by the members of Ignite Distribution, LLC. The members collectively contributed USD$1,000,000 in proportion to their respective ownership interests to be used for operational requirements. 50.1% ownership in Ignite Distribution, LLC held Ignite International, Ltd. resulted in a capital contribution of USD$501,000 and the 49.9% ownership in Ignite Distribution, LLC held by UBIQ resulted in a capital contribution of USD$499,000.

On February 14, 2020, an additional capital contribution was made by the members of Ignite Distribution, LLC. The members collectively contributed USD$499,000 in proportion to their respective ownership interests to be used for operational requirements. 50.1% ownership in Ignite Distribution, LLC held Ignite International, Ltd. resulted in a capital contribution of USD$250,000 and the 49.9% ownership in Ignite Distribution, LLC held by UBIQ resulted in a capital contribution of USD$249,000.

(In Canadian Dollars)

The following table presents summarized financial information before intragroup eliminations for the non-wholly owned subsidiary as at March 31, 2020:

	For the period ended 31-Mar-20	For the period ended 31-Dec-19
Non-controlling interest percentage	**49.90%**	**49.90%**
	($)	**($)**
Assets		
Current	6,073,535	5,521,244
Non-current	96,746	57,212
	6,170,280	5,578,456
Liabilities		
Current	6,155,527	7,142,138
Non-current	63,533	-
	6,219,060	7,142,138
Net liabilities	48,780	1,563,682
Non-controlling interest	**27,822**	**788,676**
Net loss	**(443,063)**	**(2,924,413)**
Loss attributed to non-controlling interest	**(221,089)**	**(1,459,282)**

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

A) FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Company's accounts receivable, accounts payable and accrued liabilities, note payable due to related parties, and coupon interest payable approximate their carrying value, which is the amount recorded on the statement of financial position, due to their short terms to maturity. The fair value of the Company's notes payable and convertible debenture liability approximates fair value due to the market rate of interest. The Company's cash is measured at fair value, under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities. Investments are measured at fair value using Level 2 inputs.

The three levels of the fair value hierarchy are:

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

Level 3 inputs in determining the fair value of investments includes subjective estimates in assessing for indicators of impairment.

At March 31, 2020 there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 2 in the fair value hierarchy above.

The key assumptions used by the Company in the valuation of Level 3 investments include and are not limited to, to the value of recently completed financings by the investee, entity-specific information, and publicly available information of comparable entities.

B) CREDIT RISK

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's cash includes cash and cash equivalents and short-term deposits held in financial institutions. Deposits includes term deposits and a letter of credit. The Company held $5,954,818 in cash, and $2,446,047 in deposits at March 31, 2020. Management believes the risk of loss on cash, deposits and prepaid expenses is minimal. Management also believes the risk is marginal for sales tax receivable.

The Company's e-commerce operations do not give rise to significant accounts receivable amounts and associated risks are inconsequential.

The Company's financial assets subject to risk include trade receivables of $1,087,400 arising from royalty agreements and wholesale distribution. Receivables considered low risk primarily consist of sales tax receivable from government agencies amounting to $328,606.

The Company limits the total exposure to individual customer counterparties by maintaining a credit policy, which sets forth prepayment on all e-commerce orders and short credit term requirements for trade customers in order to mitigate losses from non-collection of trade receivables.

The carrying amount of cash, deposits, and accounts and other receivables represent the maximum exposure to credit risk. At March 31, 2020, these amounted to $9,950,153.

C) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to review, on an ongoing basis, capital requirements to ensure that it will have enough liquidity to meet liabilities when due. As at March 31, 2020, the Company had cash of $5,954,818 to settle current liabilities of $14,030,198, including short term lease obligations.

The Company's non-current financial liabilities comprise of convertible debentures of $18,155,550 (note 8) and long-term lease obligations of $863,416 (notes 4 and 17).

D) INTEREST RATE RISK

The Company has cash and cash equivalent balances which are not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at March 31, 2020, the Company did not have any financial instruments which were subject to variable rates of interest.

E) FOREIGN CURRENCY RISK

The Company is also exposed to currency risk by having balances and transactions in currencies that are different from its functional currency. The Company operates in foreign jurisdictions, which use the Pound Sterling (GBP£), and the United States Dollar (USD$). The Company is also exposed to foreign currency risk on its promissory notes payable, which are dominated in US dollars.

The Company does not currently use derivative instruments to reduce upward and downward risk associated with foreign currency fluctuations.

At March 31, 2020, the net financial amounts for each in currency the Company is exposed to is as follow:

	Denominated in Foreign Currencies
	$
Financial assets denominated in foreign currencies	4,575,608
Financial liabilities denominated in foreign currencies	(12,014,972)
Net exposure	**(7,439,364)**

A one (1) percent change in the US dollar exchange rate relative to the Canadian dollar would change the Company's profit or loss for the period ended March 31, 2020 by $286,968. A one (1) percent change in the pound sterling exchange rate relative to the Canadian dollar would change the Company's profit or loss for the period ended March 31, 2020 by $21,250.

F) CAPITAL RISK MANAGEMENT

The Company adapts its capital structure based on the funds available to the Company, in order to support the development of its business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is largely dependent upon external financings to fund activities. In order to search for new business opportunities and pay for operating and administrative costs, the Company will raise additional capital as needed. The Company will continue to assess new business opportunities and seek to acquire new business assets if it determines there are sufficient business opportunities or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended March 31, 2020. The Company is not subject to externally imposed capital requirements. Changes in capital are described in the statement of changes in shareholders' equity.

(In Canadian Dollars)

24. EXPENSES BY NATURE

A) GENERAL AND ADMINISTRATIVE EXPENSES

Below are the expenses included in general and administrative expenses for the year ended March 31, 2020 and 2019:

	For the period ended 31-Mar-20	For the year ended 31-Mar-19
	$	$
Payroll and benefits	3,010,846	2,308,412
Bank and merchant Fees	63,193	923
Office expenses	549,388	172,307
Facilities expense	263,147	178,050
Consulting and advisory Fees	117,289	684,261
Professional fees	3,706	-
Audit fees	8,031	27,920
Legal fees	363,726	230,508
Insurance	70,316	73,951
Filing fees	13,297	-
Travel and accommodation	339,278	593,343
Research and development	-	12,538
Total general and administrative expenses	**4,802,216**	**4,282,213**

25. RELATED PARTY TRANSACTIONS

A) KEY MANAGEMENT PERSONNEL:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of certain executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	For the period ended March 31, 2020	For the period ended March 31, 2019
	$	$
Management salaries, bonuses, and other benefits	262,533	161,826
Share-based payment – management	381,675	-
Share-based payments – directors	95,547	-
Total	**739,755**	**161,826**

B) AMOUNTS DUE TO/FROM RELATED PARTIES

As of March 31, 2020, $74,267 (2019; $67,990) for travel expenses was due to a company related to the CEO of the Company. $44,279 (2019; $nil) was due from Ignite Social, LLC.

C) RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, the Company entered into the following transactions with related parties:

- The Company entered into a Shared Services Agreement (“SSA”) with Blitz NV (“Blitz”), a company related to the CEO. In connection with the SSA, the Company paid Blitz $381,742 for reimbursement of salaries.
- The Company paid licensing fees of $92,862 to a Company owned by the CEO.
- The Company made lease payments of $197,136 to a company owned the CEO.
- The Company incurred a $211,994 loss on disposal of assets to a company owned the CEO as part of the termination its lease (note 14).
- The Company entered into a promissory note payable of $19,650,000 (US$15,000,000) with an entity whose principal shareholder is a former director of the Company. The Company repaid the note, and accrued interest of $400,560 (US$300,000) during the year.
- The Company reimbursed a total of $1,323,738 in Ignite business expenses incurred by the CEO.
- The Company incurred a total of $325,016 in marketing fees from a company owned the CEO.
- The Company incurred travel expenses of $360,259 from a company owned by the CEO.
- At December 31, 2019, the Company had a promissory note to a related company in the amount of $4,126,937, which includes $230,537 in interest payable (note 18).

During the period ended March 31, 2020, the Company entered into the following transaction with related parties:

- Ignite International, Ltd., issued a USD$200,000 non-interest bearing promissory note to Ignite Social, LLC (note 9).
- In connection with the SSA, the Company paid Blitz USD$193,558 for reimbursement of salaries
- $44,279 (2019; $nil) is due to the Company for expenses paid on behalf Ignite Social, LLC.

26. CONTINGENCIES AND COMMITMENTS

A) NOTICE OF CLAIM

The Company was served with a Notice of Claim dated November 28, 2018 which has been filed in the Supreme Court of British Columbia naming the Company as one of three defendants. The Notice of Claim alleges a finder’s fee of $120,000 is due to the claimant for work in a previous completed private placement. The Company believes the lawsuit is without merit and has filed a response accordingly. No provision has been made by the Company with regards to the Notice of Claim, and there has been no further action in relation to this Notice of Claim as at the date of filing these audited consolidated financial statements.

B) LEGAL

The Company may be contingently liable with respect to claims incidental to the ordinary course of its operations. In the opinion of management, and based on management's consultation with legal counsel, the ultimate outcome of such matters will not have a materially adverse effect on the Company. Accordingly, no provision has been made in these consolidated financial statements for losses, if any, which might result from the ultimate disposition of these matters should they arise.

27. SEGMENTED INFORMATION

A) REPORTABLE SEGMENTS

In identifying reportable segments, management primarily considers geographical areas, regulatory environment, and products offerings of the entity. The Company has identified the following reportable segments:

Ignite International Brands, Ltd.	Ignite PUB	Reporting to the CSE and OTCQX and incurs legal and other professional fees. Responsible for allocation of funding to the various segments.
Ignite International, Ltd.	Ignite USLA	Development and distribution of certain Ignite branded products for sale across the United States, in accordance with regulatory standards through direct to consumer and wholesale channels of trade.
Ignite International Brands (U.K.) Ltd.	Ignite UK	Focused on cannabidiol (“CBD”) and CBD related consumer goods for sale and distribution in the United Kingdom.
Ignite Distribution, LLC	Ignite USJO	Joint operation to facilitate distribution of certain Ignite branded products across the United States, in accordance with regulatory standards through direct to consumer and wholesale channels of trade.
Ignite Beverages, Inc.	Ignite BEV	to facilitate distribution of Ignite branded beverages in the United States. As at December 31, 2019, Ignite BEV was in start-up.
Ignite International Brands (Canada), Ltd.	Ignite CAN	To facilitate distribution of certain Ignite branded products in Canada. As at December 31, 2019, Ignite CAN was in start-up.
Ignite Internacional Marcas de Mexico, SA de CV.	Ignite MEX	To facilitate distribution of certain Ignite branded products in Mexico. As at December 31, 2019, Ignite MEX was in start-up.
Ignite International Brands (Ireland), Ltd.	Ignite IRL	To facilitate distribution of certain Ignite CBD branded products Europe.

Ignite USJO is consolidated with these financials on a full consolidation basis; accounting for non-controlling interests on the statement of financial position and statement of loss and comprehensive loss. Non-controlling interests account for 49.9% of the investment in Ignite US.JO (note 22).

(In Canadian Dollars)

B) SEGMENT RESULTS

Information on the Company's operating segments for the period ended March 31, 2020 is as follows:

Year to Date	PUB	CAN	USLA	BEV	USJONY	UK	IRL	MEX	Consolidated
Revenue									
Sales revenue	-	29,112	-	9,160	1,604,006	52,380	-	-	1,694,658
Cost of goods sold	-	-	-	(12,932)	(1,015,204)	(38,055)	-	-	(1,066,191)
Total Gross profit	**-**	**29,112**	**-**	**(3,772)**	**588,802**	**14,326**	**-**	**-**	**628,467**
Total Gross Profit (%)	-	100.00%	-	(41.18%)	36.71%	27.35%	-	-	37.09%
Operating expenses									
General and administrative	(368,608)	(121,241)	(3,148,018)	(437,013)	(610,960)	(63,387)	(42,693)	(10,296)	(4,802,216)
Share based payments	(1,038,147)	-	-	-	-	-	-	-	(1,038,147)
Marketing and promotion	(32,773)	(24,567)	(1,250,002)	(241,896)	(316,706)	(235,974)	-	316	(2,101,601)
Depreciation	(13,952)	-	(855,823)	-	(3,231)	(1,075)	-	-	(874,081)
Amortization	(856)	-	(9,311)	-	-	-	-	-	(10,167)
Total operating expenses	**(1,454,335)**	**(145,808)**	**(5,263,154)**	**(678,909)**	**(930,897)**	**(300,436)**	**(42,693)**	**(9,980)**	**(8,826,212)**
Other expenses									
Interest income	186	-	1,658	-	-	-	-	-	1,844
Interest expense	(1,719)	(1,175)	-	(5,380)	(100,968)	-	-	-	(109,243)
Interest accretion, convertible debentures	(546,995)	-	-	-	-	-	-	-	(546,995)
Interest accretion, leases	(1,113)	-	(208,503)	-	-	-	-	-	(209,616)
Exchange gain/loss	(928)	-	-	517	-	172	953	-	715
Acquisition costs	-	-	-	-	-	-	-	-	-
Interest and other expenses	(550,570)	(1,175)	(206,845)	(4,863)	(100,968)	172	953	-	(863,296)
Net loss	**(2,004,905)**	**(117,871)**	**(5,469,999)**	**(687,545)**	**(443,063)**	**(285,938)**	**(41,739)**	**(9,980)**	**(9,943,444)**
Cumulative translation adjustment	-	-	287,278	(18,791)	(9,859)	332,379	514	(663)	590,857
Net loss and comprehensive loss	**(2,004,905)**	**(117,871)**	**(5,182,721)**	**(706,336)**	**(452,922)**	**46,441**	**(41,226)**	**(10,643)**	**(9,352,587)**
Income Attributable to:									
Ignite International Brands, Ltd.	(2,004,905)	(117,871)	(5,469,999)	(687,545)	(221,975)	(285,938)	(41,739)	(9,980)	(8,839,952)
Non-controlling interests	-	-	-	-	(221,089)	-	-	-	(221,089)

28. SUBSEQUENT EVENTS

A) GRANT OF STOCK OPTIONS

Subsequent to the period ended March 31, 2020, the Company granted 1,900,000 options to purchase subordinate voting shares in the capital of the Company pursuant to the Company's stock option plan. The stock options entitle the holder thereof to acquire subordinate voting shares of the Company at an exercise price of CA$2.25 per subordinate voting share, over a three (3) year vesting term.

B) ACQUISITION

On May 5, 2020, in consideration of financial accommodations (note 18) to be provided by International Investments, Ignite USJO issued 800 shares of the common stock International Investments free and clear of Encumbrances (the "New Shares"). The New Shares shall constitute 80% of the issued and outstanding shares of common stock of Ignite USJO, reducing the Company's ownership to 10% of the issued and outstanding common stock of Ignite USJO.

In conjunction with the change in ownership, Ignite USJO was converted from an LLC to a corporation and the name was changed accordingly from Ignite Distribution, LLC to Ignite Distribution, Inc. ("Ignite Distro").

On May 29, 2020, the Company entered into a binding term sheet, pursuant to which, the Company will acquire the remaining 90% of the issued and outstanding equity securities of Ignite Distribution, Inc. (the "Target") that it does not already own.

On June 12, 2020 (the "Closing Date"), a definitive share purchase agreement was executed reflecting the terms of the binding term sheet and was approved of the Canadian Securities Exchange. As consideration for the purchase of the shares of the Target, IGNITE (i) issued to II an unsecured promissory note (the "**II Note**") in the amount of US$3.35 million, bearing an annual interest rate of 10%, maturing on June 11, 2022; the II Note shall be repayable on the earlier of (x) the Company having consolidated annual EBITDA of at least US$10 million, as reported on its quarterly or annual financial statements and calculated in the ordinary course AND the Company having unencumbered cash of at least US$10 million during the same reporting period; and (y) two years from the Closing Date, with II being permitted to convert the II Note at any time prior to its maturity at a price per Subordinate Voting Share of CA$1.54; (ii) issued to MMS an unsecured promissory note (the "MMS Note") in the amount of US$500,000, bearing an annual interest rate of 10%, maturing on December 11, 2021, with either the Company or MMS being permitted to convert the MMS Note at any time prior to its maturity at a price per Subordinate Voting Share equal to the greater of (x) CA$1.53, being the closing price on May 28, 2020; and (y) 110% of the closing market price of the shares on the last trading date immediately prior to the conversion of the MMS Note; and (iii) issued 285,205 Subordinate Voting Shares to II and 35,651 Subordinate Voting Shares to MMS.

C) FINANCING

On April 28, 2020, Ignite US received a loan in the amount of US$1,079,687 from the Small Business Administration ("SBA") as a result of its application to the Paycheck Protection Program ("PPP Loan"). PPP is a loan designed to provide a direct incentive for businesses to keep their workers on the payroll. SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities. The Company has kept all employees subsequent to the receipt of the PPP Loan and intends on applying for loan forgiveness.

On May 20, 2020, Ignite USJO received a PPP Loan of US$65,786 and on May 28, 2020 an additional PPP Loan of US$30,111 from the SBA. The Company has kept all employees subsequent to the receipt of the PPP Loan and intends on apply for loan forgiveness.

On June 9, 2020, the Company announced that it has closed a non-brokered, private placement of convertible debentures (the "Debentures") for proceeds of $5 million from International Investments, Ltd. ("II"). The principal balance will accrue interest at a rate of 10% per annum, with the principal and interest due on the maturity date of the Debenture (the "Maturity Date"). The Maturity Date is the earlier of (i) June 7, 2022; and (ii) the Company achieving a minimum of $10,000,000 of (x) earnings before interest, taxes, depreciation and amortization and; (y) free cash flow, as reported in its annual or quarterly financial statements.

Prior to the Maturity Date, II has the right to convert the balance of principal and interest payable thereunder to subordinated voting shares in the capital of the Company at a price per subordinate voting share equal to $1.58.

D) SETTLEMENT AGREEMENT AND SURRENDER OF LEASE

On July 10, 2020, the Company entered into a settlement agreement and release (the "Settlement Agreement") with the owner of a property leased by the Company. The Settlement Agreement grants a division of proceeds relating to the Company's Option to Purchase (note 16) for proceeds resulting from the sale of the property in excess of USD$55 million. The Company will receive the first USD$5 million above a USD$55 million sale price and an additional fifty percent (50%) of all net sales proceeds after its payment of USD$5 million. In the event sales proceeds are less than USD$55 million but greater than USD$50 million, the Company and owner of the property shall divide equally all amounts received that are between USD$50 million and USD$55 million net proceeds received. In the event that the sale of the property is USD$50 million or less, the Company will be received USD$2.5 million, which is the lowest amount to be received in a sale scenario.

In conjunction with the Settlement Agreement, on July 11, 2020, the Company executed a termination and surrender agreement for a property leased by the Company on May 27, 2018.

E) COVID-19 PANDEMIC

In March 2020, the World Health Organization declared COVID-19 (Coronavirus) a global pandemic. The COVID-19 pandemic has caused global economic uncertainty and has adversely affected workforces, economies, and financial markets globally. Measures have been put in place to combat the spread of the virus, which include the implementation of travel bans, self-imposed quarantine periods, social distancing, and temporary closures of non-essential businesses. The Company reacted quickly to ensure the safety of its employees and business partners, including a mandated work-from home and travel ban policy for all employees. Given the economic uncertainty, it is not possible to accurately predict the duration or magnitude of the adverse results of the outbreak and its effect on the Company at this time.

In March 2020, in line with the Company's commitment to an aggressive plan to proactively implement measures to sustain its operations (see Outlook section), the Company assessed its operations for non-essential head count and reduced its salaries and benefit costs by an approximate $1.3MM on an annualized basis.