



EXPERION HOLDINGS LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)

**FOR THE THREE AND NINE MONTHS ENDED AUGUST 31, 2020
AND AUGUST 31, 2019**

(IN CANADIAN DOLLARS)

TABLE OF CONTENTS

Notice to Reader	2
Condensed Consolidated Interim Statements of Financial Position	3
Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss	4
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity	5
Condensed Consolidated Interim Statements of Cash Flows	6
Notes the Condensed Consolidated Interim Financial Statements	
Note 1 - Nature of operations	7
Note 2 – Significant accounting policies and judgements	7
Note 3 – Accounts receivable	9
Note 4 – Biological assets and inventory	10
Note 5 – Investment and derivatives	11
Note 6 – Property, plant and equipment	13
Note 7 – Business Combinations	14
Note 8 – Intangible assets and goodwill	15
Note 9 – Share capital	15
Note 10 – Share-based compensation	16
Note 11 – Related parties	18
Note 12 – Commitments and contingencies	19
Note 13 – Revenue	19
Note 14 – Segmented information	19
Note 15 – Fair value of financial instruments and risk	20
Note 16 – Subsequent events	21

NOTICE TO READER

The accompanying unaudited condensed consolidated interim financial statements have been prepared by Management and approved by the Board of Directors. The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants Canada for a review of interim financial statements by an entity's auditor.

EXPERION HOLDINGS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Presented in Canadian Dollars)

	Note	August 31, 2020 (Unaudited)	November 30, 2019 (Audited)
ASSETS			
Current			
Cash		\$ 2,368,507	\$ 4,968,351
Accounts receivable	3	880,442	973,068
Inventory	4	1,381,310	583,921
Biological assets	4	374,255	233,065
Prepaid expenses and deposits		216,893	240,719
		5,221,407	6,999,124
Non-current			
Property, plant and equipment	6	7,360,846	7,289,985
Intangible assets	7, 8	1,202,762	1,246,628
Investment	5	369,578	425,876
Derivatives	5	146,847	74,124
Goodwill	7, 8	1,091,043	1,091,043
		\$ 15,392,483	\$ 17,126,780
LIABILITIES			
Current			
Accounts payable and accrued liabilities	12, 15	\$ 783,037	\$ 926,837
Non-current			
Deferred income tax		131,543	131,543
		914,580	1,058,380
SHAREHOLDERS' EQUITY			
Share capital	9	37,189,167	37,160,387
Reserves	10	3,621,815	3,474,449
Accumulated other comprehensive loss		(56,298)	-
Deficit		(26,276,781)	(24,566,436)
		14,477,903	16,068,400
		\$ 15,392,483	\$ 17,126,780

Nature of operations (Note 1)
Commitments and contingencies (Note 12)
Subsequent events (Note 16)

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on October 22, 2020.

On behalf of the Board of Directors:

Director "Byron Dudley"

Director "Jarrett Malnarick"

See accompanying notes to the condensed consolidated interim financial statements

EXPERION HOLDINGS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
(Unaudited - Presented in Canadian Dollars)

	Note	Three months ended August 31,		Nine months ended August 31,	
		2020	2019	2020	2019
Revenue					
Revenue from sale of goods	13	\$ 2,124,346	\$ 172,877	\$ 4,647,635	\$ 935,311
Excise taxes		(343,658)	(12,888)	(745,474)	(51,465)
Net revenue		1,780,688	159,989	3,902,161	883,846
Cost of sales		(1,332,987)	(135,159)	(3,132,199)	(1,006,254)
Gross profit (loss) before fair value adjustments		447,701	24,830	769,962	(122,408)
Change in fair value of inventory sold		(305,204)	(77,331)	(460,312)	(77,331)
Unrealized gain on change of fair value of biological assets	4	263,695	105,730	791,330	34,818
Gross profit (loss)		406,192	53,229	1,100,980	(164,921)
Expense					
Salaries and wages		282,925	559,047	1,046,861	1,656,643
General and administration		155,036	309,782	559,690	1,058,711
Professional fees		85,221	458,531	459,342	773,800
Sales and marketing		31,548	116,622	161,787	334,583
Depreciation and amortization	7, 8	22,855	7,478	93,338	21,750
Share-based compensation	10	19,932	69,316	151,024	451,132
		597,517	1,520,776	2,472,042	4,296,619
Income (loss) from operations		(191,325)	(1,467,547)	(1,371,062)	(4,461,540)
Other (expense) income					
Interest income		2,880	78,179	30,558	127,773
Other income, net		-	-	79,095	-
Unrealized gain on derivatives	5	-	-	72,723	-
Restructuring fees	11	-	(169,220)	(521,659)	(169,220)
Acquisition fees		-	(146,096)	-	(1,902,637)
Loss on sale of asset		-	(3,433)	-	(3,433)
		2,880	(240,570)	(339,283)	(1,947,517)
Income (loss) before income tax		(188,445)	(1,708,117)	(1,710,345)	(6,409,057)
Income tax recovery		-	767,693	-	767,693
Net Income (loss)		(188,445)	(940,424)	(1,710,345)	(5,641,364)
Other comprehensive loss that may be reclassified to net loss					
Unrealized loss on investment	5	-	-	(56,298)	-
Net Income (loss) and comprehensive loss for the period		\$ (188,445)	\$ (940,424)	\$ (1,766,643)	\$ (5,641,364)
Basic and diluted earnings (loss) per share		\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.07)
Weighted average number of common shares outstanding		100,671,766	98,808,156	100,570,028	85,607,123

See accompanying notes to the condensed consolidated interim financial statements

EXPERION HOLDINGS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited - Presented in Canadian Dollars)

		Share capital		Reserves				Accumulated other comprehensive income			Total Shareholders' equity
		Common shares	Amount	Warrants	Agents' Options	Share-based compensation (1)	Total Reserves	Fair Value	Total AOCI	Deficit	
Balance as at November 30, 2018	(Audited)	49,320,375	\$ 11,178,616	\$ 321,713	\$ 362	\$ 2,362,855	\$ 2,684,930	\$ -	\$ -	\$ (8,502,609)	\$ 5,360,937
Aquisition of EFX		49,412,781	25,694,646	-	-	404,784	404,784	-	-	-	26,099,430
Share-based compensation (1)		75,000	37,125	-	-	534,248	534,248	-	-	-	571,373
Net loss and comprehensive loss		-	-	-	-	-	-	-	-	(5,641,364)	(5,641,364)
Balance as at August 31, 2019	(Unaudited)	98,808,156	36,910,387	321,713	362	3,301,887	3,623,962	-	-	(14,143,973)	26,390,376
Private placement		1,666,667	250,000	-	-	-	-	-	-	-	250,000
Share-based compensation (1)		-	-	-	-	(149,513)	(149,513)	-	-	-	(149,513)
Net loss and comprehensive loss		-	-	-	-	-	-	-	-	(10,422,463)	(10,422,463)
Balance as at November 30, 2019	(Audited)	100,474,823	37,160,387	321,713	362	3,152,374	3,474,449	-	-	(24,566,436)	16,068,400
Share-based compensation (1)		287,500	28,780	-	-	147,366	147,366	-	-	-	176,146
Unrealized loss on investment (2)		-	-	-	-	-	-	(56,298)	(56,298)	-	(56,298)
Net loss and comprehensive loss		-	-	-	-	-	-	-	-	(1,710,345)	(1,710,345)
Balance as at August 31, 2020	(Unaudited)	100,762,323	\$ 37,189,167	\$ 321,713	\$ 362	\$ 3,299,740	\$ 3,621,815	\$ (56,298)	\$ (56,298)	\$ (26,276,781)	\$ 14,477,903

(1) Share-based compensation includes employee and director options and RSU's (Note 10a and 10b).

(2) Unrealized loss on investment (Note 5)

See accompanying notes to the condensed consolidated interim financial statements

EXPERION HOLDINGS LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Presented in Canadian Dollars)

	Note	Nine months ended	
		August 31, 2020	August 31, 2019
Net cash (used in) provided by:			
Operating activities			
Net loss for the period		\$ (1,710,345)	\$ (5,641,364)
Items not involving cash:			
Depreciation and amortization	6, 8	93,338	21,750
Share-based compensation	10	151,024	451,132
Share-based compensation included in cost of sales		25,122	120,241
Fair value adjustment of inventory sold		(460,312)	77,331
Unrealized (gain) loss on change of fair value of biological assets	4	(791,330)	(34,818)
Unrealized gain on change of fair value of derivative asset		(72,723)	-
Changes in non-cash working capital items:			
Accounts receivable		92,626	(689,921)
Inventory		(67,274)	(206,498)
Biological assets		650,140	(32,994)
Prepaid expenses and deposits		23,826	(212,217)
Accounts payable and accrued liabilities		(143,800)	191,980
Net cash used in operating activities		<u>(2,209,708)</u>	<u>(5,955,378)</u>
Investing activities			
Cash acquired from the business combination	7	-	13,769,006
Purchase of property, plant and equipment	6	(390,136)	(1,903,385)
Capitalized intangible assets		-	(83,149)
Net cash (used in) provided by investing activities		<u>(390,136)</u>	<u>11,782,472</u>
Financing activities			
Net cash provided by financing activities		<u>-</u>	<u>-</u>
Net cash (decrease) increase in cash		(2,599,844)	5,827,094
Cash - beginning of the period		4,968,351	1,607,950
Cash - ending of the period		<u>\$ 2,368,507</u>	<u>\$ 7,435,044</u>
Components of cash			
Cash		\$ 2,368,507	\$ 7,435,044
		<u>\$ 2,368,507</u>	<u>\$ 7,435,044</u>

See accompanying notes to the condensed consolidated interim financial statements

1. NATURE OF OPERATIONS

Experion Holdings Ltd. (the “Company” or “Experion”) is a publicly traded corporation, incorporated in Canada, with its head office located at 12556 Stave Lake Road, Mission, British Columbia V2V 0A6. The Company’s shares are listed on the TSX Venture Exchange as a Tier 1 issuer (the “TSX-V”) under the trading symbol “EXP”; the OTCQB under the symbol “EXPFF” and on the Frankfurt Stock Exchange under the symbol “MB31”. Previously, the Company was named Viridium Pacific Group Ltd. The name change to Experion Holdings Ltd. was effective June 10, 2019.

The Company’s principal business is the production, distribution, and sale of cannabis products in Canada.

Experion does not engage in any federally illegal U.S. cannabis-related activities.

2. SIGNIFICANT ACCOUNTING POLICIES AND JUDGEMENTS

(a) Basis of preparation and measurement

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) in accordance with International Accounting Standards 34, “Interim Financial Reporting” (“IAS34”) as issued by the International Accounting Standards Board (“IASB”), and interpretations of the IFRS Interpretations Committee (“IFRIC”). All amounts are presented in Canadian dollars except share and per share data.

The condensed consolidated interim financial statements are prepared in accordance with the same accounting policies, critical estimates and methods described in the Company’s annual consolidated financial statements, except for the adoption of new accounting standards identified in Note 2(c). Given that certain information and footnote disclosures, which are included in the annual audited consolidated financial statements, have been condensed or excluded in accordance with IAS 34, these financial statements should be read in conjunction with our annual audited consolidated financial statements as at and for the year ended November 30, 2019, including the accompanying notes thereto.

For comparative purposes, the Company has reclassified certain immaterial items on the comparative condensed consolidated interim statement of financial position and the condensed consolidated interim statement of net loss and comprehensive loss to conform with current period’s presentation.

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Company on October 22, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES AND JUDGMENTS (continued)

(b) Basis of consolidation

The condensed consolidated interim financial statements include the financial results of the Company and its subsidiaries. Subsidiaries include entities which are wholly-owned. The condensed consolidated interim financial statements include the operating results of acquired entities from the date control is obtained. All intercompany balances and transactions are eliminated upon consolidation.

The table below lists the Company's subsidiaries and the ownership interests in each:

Subsidiary	% Ownership	Accounting Method
Experion Biotechnologies Inc.	100%	Consolidation
EFX Laboratories Inc.	100%	Consolidation
Fish Trap Ventures Ltd.	100%	Consolidation
Stave Lake Services Ltd.	100%	Consolidation
Kanabé Goods Corp.	100%	Consolidation

(c) Adoption of New Accounting Pronouncements Effective December 1, 2019

The following IFRS standard has been recently issued by the IASB. Pronouncements that are not applicable, or where it has been determined do not have a significant impact to the Company, have been excluded herein.

IFRS Leases

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company adopted the standard on December 1, 2019, and there was no impact of this new standard on its condensed consolidated interim financial statements. The Company only has two leases for which it elected to apply the recognition exemptions and practical expedients described under IFRS 16; in particular, the recognition exemptions for short-term leases and low-value leases.

As a result of adopting IFRS 16, the Company updated its lease accounting policies as follows:

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. The finance cost is recognized in "finance and other costs" in the condensed consolidated interim statement of net income (loss) and comprehensive income (loss) over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

2. SIGNIFICANT ACCOUNTING POLICIES AND JUDGMENTS (continued)

(c) Adoption of New Accounting Pronouncements Effective December 1, 2019 (continued)

IFRS Leases (continued)

The Company's lease liability is recognized net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the condensed consolidated interim statement of net income (loss) and comprehensive income (loss). Short-term leases are defined as leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index, rate, or subject to a fair market value renewal condition are expensed as incurred and recognized in costs of goods sold, general and administration and sales and marketing expense, as appropriate given how the underlying leased asset is used, in the condensed consolidated interim statement of net income (loss) and comprehensive income (loss).

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

3. ACCOUNTS RECEIVABLE

The breakdown of the accounts receivable balance was as follows:

	August 31,		November 30,
	2020		2019
Trade receivable, net	\$ 838,925	\$	539,608
GST receivable	39,120		209,003
Insurance proceeds receivable (note 12)	-		125,000
Interest receivable	2,397		59,958
Related parties	-		39,499
	<u>\$ 880,442</u>	<u>\$</u>	<u>973,068</u>

4. BIOLOGICAL ASSETS AND INVENTORY

The Company's biological assets consist of 1,491 cannabis plants as at August 31, 2020 (November 30, 2019 – 1,492). The continuity of biological assets is as follows:

	August 31, 2020	November 30, 2019
Opening balance	\$ 233,065	\$ 137,128
Add:		
Pre harvest production cost capitalized	728,253	859,932
Fair value less cost to sell due to biological asset transformation	791,330	(78,116)
Less:		
Harvested amounts transferred out to inventory	(1,378,393)	(685,879)
	<u>\$ 374,255</u>	<u>\$ 233,065</u>

All biological assets are considered current. The fair value of biological assets is categorized within Level 3 on the fair value hierarchy. The significant assumptions used in determining the fair value of the cannabis are as follows:

- i. Stage of completion;
- ii. Yield by strain (actual yields used for these financial statements);
- iii. Estimated selling prices and;
- iv. Cost to complete the cannabis post-harvest and cost to sell.

The Company's estimates are, by nature subject to change. Changes in the underlying assumptions will be reflected in future changes in the gain/loss of biological assets.

Significant unobservable assumptions used in the valuation of biological assets, including the sensitivities on changes in these assumptions and their effect on the fair value of biological assets, are as follows:

Significant inputs and assumptions	Input Range		Sensitivity	Effect on fair value	
	2020	2019		August 31, 2020	November 30, 2019
Selling price per gram	\$4.30 - \$11.72 ⁽¹⁾	\$4.50 - \$10.55 ⁽¹⁾	Change by \$1.00 per gram	\$ 75,984	\$ 53,612
Average yield per plant	74 grams to 133 grams	71 grams to 132 grams	Change by 5 grams per plant	\$ 20,619	\$ 12,108
Stage of completion	6% - 95%	15% - 90%	Change by 10% complete	\$ 35,862	\$ 52,429
Cost to complete and sell	\$4.03	\$3.83	Change by \$1.00 per gram	\$ 75,984	\$ 53,611

(1) The selling price is based on the range of sales prices per gram for the period.

As of August 31, 2020, the fair value less cost to complete and cost to sell was \$4.93 per gram (November 30, 2019 – \$1.53 per gram); and the biological assets were on average 51% complete (2019 – 42% complete). During the nine months ended August 31, 2020, the Company's biological assets produced 344,514 grams of dried cannabis (November 30, 2019 – 425,274 grams).

4. BIOLOGICAL ASSETS AND INVENTORY (continued)

The Company accretes fair value on a straight-line basis according to the stage of growth. As a result, a cannabis plant that is 50% through its 14-week growing cycle would be ascribed approximately 50% of its harvest date expected fair value.

As at August 31, 2020, included in the carrying amount of inventory is 348,097 grams of dry cannabis (November 30, 2019 – 172,864 grams) valued at \$1,047,381 (November 30, 2019 - \$500,411) that has been quality assured and is awaiting release for sale. Also included in the carrying amount of inventory is concentrates work in progress valued at \$257,435 (November 30, 2019 - \$ nil).

Inventory comprised of the following items:

	August 31, 2020	November 30, 2019
Harvested cannabis	\$ 405,338	\$ 479,991
Purchased cannabis	642,043	66,193
Concentrates	257,435	-
Supplies and consumables	76,495	37,737
Carrying amount	<u>\$ 1,381,310</u>	<u>\$ 583,921</u>

5. INVESTMENT AND DERIVATIVES

The Company has invested in a private company that is not quoted in an active market. Transactions in such investments do not occur on a regular basis and are classified as a Level 3 fair value hierarchy assumption. The Company values investment and derivatives in unlisted equity instruments at cost for a limited period after the date of acquisition if the purchase price remains representative of fair value at the reporting date using a FINCAD Barrier Option model.

The investment represents the common shares in True North Cannabis Corp. (“True North”) which have been elected to be accounted for using fair value through other comprehensive income (FVOCI). The derivatives represent the warrants in True North and are accounted for using fair value through profit and loss (FVTPL) and included in other income.

5. INVESTMENT AND DERIVATIVES (continued)

As a result, the fair value of both the investment and derivatives as at August 31, 2020 are shown in the following table:

Balance, November 30, 2018	\$	-
Additions:		
Investment - Common shares		425,876
Derivatives - Warrants		74,124
Balance, November 30, 2019	<u>\$</u>	<u>500,000</u>
Change in fair value during the period:		
Realized gain on changes in fair value - Warrants	\$	72,723
Unrealized loss on changes in fair value - Common shares		<u>(56,298)</u>
Investment - Common shares		369,578
Derivatives - Warrants		146,847
Balance, August 31, 2020	<u>\$</u>	<u>516,425</u>

The Company, in this case, is investing in a private company that is not quoted in an active market. Transactions in such investments do not occur on a regular basis and are classified as a Level 3 fair value hierarchy input.

The inputs used to determine the fair value at August 31, 2020 include the following:

<u>Assumptions</u>	<u>August 31, 2020</u>
Common Share Price	\$ 2.40
Volatility	85.84%
Risk Free Rate	108.46%
Dividend	0.00%

On November 30, 2019, the common shares and warrants were both measured using an observable market transaction, a recently completed subscription offering, which was determined to be a level 2 fair value hierarchy input.

EXPERION HOLDINGS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Unaudited - Presented in Canadian Dollars)

6. PROPERTY, PLANT AND EQUIPMENT

The following is a summary of the carrying value and the changes in net book value of property, plant and equipment for the periods reflected:

	Land	Building	Production equipment	Computer hardware	Computer software	Office equipment	Total
Cost							
As at November 30, 2018	\$ 1,018,900	\$ 2,402,329	\$ 274,286	\$ 66,535	\$ 12,082	\$ 28,258	\$ 3,802,390
Additions during the year	-	1,674,009	590,026	193,021	-	12,649	2,469,705
Additions from the acquisition of EFX ⁽¹⁾	-	-	1,438,539	9,205	-	-	1,447,744
As at November 30, 2019	1,018,900	4,076,338	2,302,851	268,761	12,082	40,907	7,719,839
Additions during the period	-	190,963	51,631	141,557	-	5,985	390,136
As at August 31, 2020	\$ 1,018,900	\$ 4,267,301	\$ 2,354,482	\$ 410,318	\$ 12,082	\$ 46,892	\$ 8,109,975
Accumulated depreciation							
As at November 30, 2018	\$ -	\$ 95,452	\$ 40,127	\$ 26,022	\$ 4,027	\$ 6,392	\$ 172,020
Depreciation for the year ⁽²⁾	-	109,568	101,460	36,216	4,027	6,563	257,834
As at November 30, 2019	-	205,020	141,587	62,238	8,054	12,955	429,854
Depreciation for the period ⁽²⁾	-	125,269	103,253	81,243	3,021	6,490	319,275
As at August 31, 2020	\$ -	\$ 330,289	\$ 244,840	\$ 143,481	\$ 11,075	\$ 19,445	\$ 749,129
Net book value							
As at November 30, 2019	\$ 1,018,900	\$ 3,871,318	\$ 2,161,264	\$ 206,523	\$ 4,028	\$ 27,952	\$ 7,289,985
As at August 31, 2020	\$ 1,018,900	\$ 3,937,012	\$ 2,109,643	\$ 266,838	\$ 1,008	\$ 27,446	\$ 7,360,846

(1) See Note 7 Business Combinations for further information on the acquisition of EFX.

(2) Of the depreciation for the period, \$225,937 was included in inventory and cost of sales (2019 - \$210,312).

7. BUSINESS COMBINATIONS

On February 11, 2019, the Company entered into an amalgamation agreement with EFX Laboratories Inc. (“EFX”) for the acquisition by Experion of all the issued and outstanding Class A voting shares in the capital of EFX by way of an amalgamation of EFX and 2163903 Alberta Ltd., a wholly-owned subsidiary of Experion, in accordance with the *Business Corporations Act* (Alberta). EFX engaged in value-added applications related to medical and wellness cannabis products.

Pursuant to the amalgamation agreement, Experion acquired all the issued and outstanding EFX Shares by the issuance of common shares in the capital of Experion (the “Experion Shares”), which were issued on the basis of one Experion Share for every 2.57 EFX Shares. This transaction was assessed as a business combination. The valuation ratio is a level II fair value hierarchy input because Experion’s shares were halt-traded.

Upon completion of the acquisition, current holders of EFX Shareholders hold 49,412,781 Experion Shares, representing 50.05% of the outstanding Experion Shares and the current holders of Experion Shares hold 49,320,375 Experion Shares, representing approximately 49.95% of the outstanding Experion Shares. The transaction was determined to be an acquisition as Experion exercised control over the board after the business combination establishing power over the investee and was solely responsible for the risks and rewards of operations of the investee.

During the year ended November 30, 2019, the Company finalized the purchase price allocation. Net identifiable assets (liabilities) acquired in the purchase are identified as follows:

Total consideration		
Common shares issued	\$	25,694,646
Replaced share-based payments		56,477
	\$	25,751,123
Net identifiable assets (liabilities) acquired		
Cash	\$	13,769,006
Accounts receivable		859,542
Prepaid expenses		7,534
Property, plant and equipment		1,447,744
Accounts payable and accrued liabilities		(460,708)
Deferred tax liability		(365,779)
	\$	15,257,339
Purchase price allocation		
Net identifiable assets acquired	\$	15,257,339
Intangible assets		1,170,000
Goodwill ⁽¹⁾		9,323,784
	\$	25,751,123
Acquisition costs expensed		
Year ended November 30, 2019	\$	1,909,283

⁽¹⁾ Goodwill arising from the acquisition represents synergies, future income and growth, and other intangibles that do not qualify for separate recognition.

EXPERION HOLDINGS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Unaudited - Presented in Canadian Dollars)

8. INTANGIBLE ASSETS AND GOODWILL

The following is a continuity schedule of intangible assets and goodwill:

	Websites	Formulations	Clinical and regulatory know-how	Standard operating procedures	Total intangible assets	Goodwill
Cost						
As at November 30, 2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions during the year	94,611	-	-	-	94,611	-
Additions from the acquisition of EFX Laboratories Inc.	-	1,000,000	70,000	100,000	1,170,000	9,323,784
Impairment (Note 10)	-	-	-	-	-	(8,232,741)
As at November 30, 2019	\$ 94,611	\$ 1,000,000	\$ 70,000	\$ 100,000	\$ 1,264,611	\$ 1,091,043
Additions during the period	-	-	-	-	-	-
As at August 31, 2020	\$ 94,611	\$ 1,000,000	\$ 70,000	\$ 100,000	\$ 1,264,611	\$ 1,091,043
Accumulated amortization						
As at November 30, 2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation of definite life intangible assets for the year	7,900	-	1,750	8,333	17,983	-
As at November 30, 2019	7,900	-	1,750	8,333	17,983	-
Depreciation of definite life intangible assets for the period	23,700	-	3,500	16,666	43,866	-
As at August 31, 2020	\$ 31,600	\$ -	\$ 5,250	\$ 24,999	\$ 61,849	\$ -
Net book value						
As at November 30, 2019	\$ 86,711	\$ 1,000,000	\$ 68,250	\$ 91,667	\$ 1,246,628	\$ 1,091,043
As at August 31, 2020	\$ 63,011	\$ 1,000,000	\$ 64,750	\$ 75,001	\$ 1,202,762	\$ 1,091,043

9. SHARE CAPITAL

(a) Authorized

Unlimited number of common voting shares.
Unlimited number of preferred shares, without nominal or par value.

(b) Issued

At August 31, 2020, the total number of common voting shares outstanding by the Company were 100,762,323 (November 30, 2019 - 100,474,823).

EXPERION HOLDINGS LTD.
 NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 FOR THE THREE AND NINE MONTHS ENDED AUGUST 31, 2020 AND 2019
 (Unaudited - Presented in Canadian Dollars)

10. SHARE-BASED COMPENSATION

(a) Stock options

During the nine months ended August 31, 2020, the Company granted a total of 1,385,000 stock options with a fair value of \$67,083 as replacement options to employees and consultants at an exercise price of \$0.15 per share and granted 100,000 stock options with a fair value of \$6,800 to a consultant at an exercise price of \$0.15 per share.

On December 11, 2019, the Company granted 400,000 options vesting immediately and 300,000 options vesting evenly every 3 months with a fair value of \$45,150 that expire December 11, 2022. On March 3, the Company granted 685,000 options with a fair value of \$41,237 vesting immediately that expire on March 3, 2023. On August 5, 2020, the Company granted 100,000 options with a fair value of \$6,800 vesting evenly every 3 months that expire on August 5, 2023.

During the nine months ended August 31, 2020, 995,550 options with a value of \$450,330 were forfeited (2019 – 1,361,633 options valued at \$658,286), 66,650 options with a value of \$34,500 expired and 685,000 options with a value of \$333,379 were canceled.

A summary of stock options outstanding is as follows:

Expiry date	Exercise price (\$)	November 30, 2018	Granted	Expired / forfeited	November 30, 2019	Granted	Expired / forfeited	August 31, 2020
October 6, 2019	0.60	525,000	-	(525,000)	-	-	-	-
December 1, 2019	1.31	50,000	-	-	50,000	-	(50,000)	-
March 21, 2020	0.94	75,000	-	-	75,000	-	(75,000)	-
March 23, 2020	3.60	8,325	-	-	8,325	-	(8,325)	-
March 23, 2020	7.21	8,325	-	-	8,325	-	(8,325)	-
October 23, 2020	0.91	250,000	-	(100,000)	150,000	-	(150,000)	-
May 31, 2021	(1) 0.64	-	389,105	-	389,105	-	-	389,105
May 31, 2021	(2) 0.81	149,625	-	-	149,625	-	-	149,625
May 31, 2021	(3) 0.91	149,625	-	-	149,625	-	-	149,625
June 14, 2021	0.91	110,000	-	(20,000)	90,000	-	(85,000)	5,000
June 21, 2021	0.81	999,625	-	(149,625)	850,000	-	-	850,000
October 11, 2021	0.89	561,797	-	-	561,797	-	(561,797)	-
October 23, 2021	0.91	50,000	-	-	50,000	-	(50,000)	-
February 13, 2022	0.78	-	400,000	-	400,000	-	(250,000)	150,000
March 18, 2022	0.65	-	275,000	(25,000)	250,000	-	(250,000)	-
March 26, 2022	0.65	-	250,000	-	250,000	-	-	250,000
October 6, 2022	0.60	750,000	-	(100,375)	649,625	-	-	649,625
December 11, 2022	0.15	-	-	-	-	700,000	-	700,000
Mar 3, 2023	0.15	-	-	-	-	685,000	-	685,000
May 8, 2023	0.64	-	389,105	(389,105)	-	-	-	-
August 5, 2023	0.15	-	-	-	-	100,000	-	100,000
August 20, 2023	0.90	-	233,462	-	233,462	-	(233,462)	-
October 8, 2023	0.90	-	19,455	(19,455)	-	-	-	-
October 15, 2023	0.90	-	52,528	(33,073)	19,455	-	(19,455)	-
November 1, 2023	0.90	-	5,836	-	5,836	-	(5,836)	-
Options outstanding		3,687,322	2,014,491	(1,361,633)	4,340,180	1,485,000	(1,747,200)	4,077,980
Options exercisable		3,273,159	1,199,115	-	3,840,775	1,335,000	-	3,865,480

(1) These options' original expiry date was June 1, 2023.

(2) These options' original expiry date was June 21, 2021.

(3) These options' original expiry date was October 23, 2021.

EXPERION HOLDINGS LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED AUGUST 31, 2020 AND 2019
(Unaudited - Presented in Canadian Dollars)

10. SHARE-BASED COMPENSATION (continued)

(a) Stock options (continued)

During the nine months ended August 31, 2020, the Company recorded aggregate share-based compensation expense of \$151,024 (nine months ended August 31, 2019 - \$571,373) for all stock options granted and vested during the period. This expense is included in cost of sales and the share-based compensation lines on the condensed consolidated interim statement of net loss and comprehensive loss.

Stock options granted during the respective periods highlighted below were fair valued based on the following weighted average assumptions:

	2020	2019
Risk-free interest rate	0.99% - 1.67%	1.45-1.8%
Expected stock price volatility	111.69%	103-109%
Expected option life in years	3 years	0.10 to 4.17 years
Expected dividend in yield	Nil	Nil
Forfeiture rate	Nil	Nil
Share price at grant	\$0.10 - \$0.105	\$0.52 - \$1.31
Exercise price	\$0.15	\$0.64 - \$0.90

The weighted average exercise price of the stock options as of August 31, 2020 was \$0.51 (nine months ended August 31, 2019 - \$0.78)

(b) Restricted share units (“RSUs”)

A summary of RSUs outstanding is as follows:

Expiry date	Deemed price (\$)	November 30, 2018	Granted	Cancelled	Vested and Converted into shares	November 30, 2019	Granted	Vested and Converted into shares	August 31, 2020
October 6, 2018	0.54	149,625	-	(149,625)	-	-	-	-	-
March 18, 2019	0.53	-	50,000	-	(50,000)	-	-	-	-
December 31, 2019	0.94	50,000	-	-	(25,000)	25,000	-	(25,000)	-
February 11, 2020	0.51	-	31,250	-	-	31,250	-	(31,250)	-
May 31, 2020	0.40 & 0.51	-	50,000	-	-	50,000	-	(50,000)	-
June 17, 2020	0.40	-	31,250	-	-	31,250	-	(31,250)	-
July 22, 2020	0.18, 0.40 & 0.51	-	150,000	-	-	150,000	-	(150,000)	-
May 27, 2021	0.09, 0.15 & 0.18	-	31,250	-	-	31,250	93,750	-	125,000
1 year from resignation	0.09, 0.15, 0.18, 0.40 & 0.51	-	156,250	-	-	156,250	337,500	-	493,750
RSUs outstanding		149,625	500,000	(149,625)	(75,000)	475,000	431,250	(287,500)	618,750
RSUs vested		149,625	50,000	-	-	-	-	-	-

During the nine months ended August 31, 2020, the Company recorded share-based compensation of \$51,111 (nine months ended August 31, 2019 - \$79,803) for all RSUs granted and vested during the period. This expense is included in the share-based compensation line on the condensed consolidated interim statement of net loss and comprehensive loss.

11. RELATED PARTIES

Key management personnel

The Company's key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company has defined key management personnel to include the CEO and CFO, and directors of the Company.

The remuneration paid or accrued for the Company's key management personnel and directors for the nine months ended August 31, 2020 is as follows:

	Nine months ended	
	August 31, 2020	August 31, 2019
Management compensation ⁽¹⁾	\$ 704,223	\$ 1,012,296
Directors' fees	57,500	132,500
Share-based payments ⁽²⁾	16,068	195,467
	<u>\$ 777,791</u>	<u>\$ 1,340,263</u>

(1) Management compensation for the nine months ended August 31, 2020 includes severance of \$370,833 paid to a past officer included within restructuring fees in the condensed consolidated interim statement of net loss and comprehensive loss.

(2) Share-based payments are the fair value of options and restricted share units ("RSUs") granted and vested to key management personnel and directors of the Company under the Company's stock option plan and RSU plan.

Goods and services

The Company entered into certain transactions with related parties during the nine months ended August 31, 2020 as follows:

	Nine months ended	
	August 31, 2020	August 31, 2019
Consulting fees paid or payable to companies in which the officers of the Company have control over	\$ -	\$ 129,459
Operational fees paid or payable to companies owned by a director of the Company	86,219	108,377
	<u>\$ 86,219</u>	<u>\$ 237,836</u>

Related party balances

The following related party amounts were included in (i) amounts receivable, and (ii) accounts payable and accrued liabilities:

	August 31, 2020	November 30, 2019
(i) Former director ⁽¹⁾	\$ -	\$ 39,499
(ii) Current directors ⁽²⁾	62,558	23,750

(1) The amounts are unsecured, non-interest bearing, have no specific repayment term and due on demand. The amount was paid back during the three month period ending August 31 2020.

(2) The amounts are payable in the normal course of business.

12. COMMITMENTS AND CONTINGENCIES

Claims and litigation

Experion's predecessor Morro Bay Resources Ltd. ("Morro Bay") was named in a legal action in April 2017. Dundee Canada (GP) Inc. was seeking damages of \$167,781 from Morro Bay and a company affiliated with the former Chief Executive Officer of Morro Bay, as a result of a sublease for office space. The claim expired on April 18, 2020.

In the second quarter of 2019, Viridium Pacific Group Ltd (now known as Experion Holdings Ltd.) and its wholly owned subsidiary, Experion Biotechnologies Inc., were named as defendants along with others in a civil claim filed by Mr. Stephen Serenas, their ex-CEO. In the Amended Notice of Civil Claim, Mr. Serenas advanced claims against Experion and Experion Biotechnologies Inc. for 149,625 restricted stock units fully vested in Experion, along with general damages for wrongful dismissal, breach of contract, bad faith, an indemnity, aggravated and punitive damages, and ancillary relief. The statement of claim was settled on December 4, 2019 for \$125,000 paid to Mr. Serenas. This payment was made December 18, 2019. The settlement amount and associated legal fees were covered by the Company's insurers and was recorded as other income and accounts receivable at November 30, 2019.

13. REVENUE

The following table summarizes cannabis revenue by product for the period:

	August 31, 2020	August 31, 2019
Dried cannabis	\$ 4,120,662	\$ 789,571
Pre-roll cannabis	440,083	
Cannabis plants	39,281	53,349
Other cannabis products	6,323	64,460
Miscellaneous products	41,287	27,931
	<u>\$ 4,647,635</u>	<u>\$ 935,311</u>

During the nine months ended August 31, 2020, five of the Company's customers represented approximately 98% (August 31, 2019 – 5 customers represented 97%) of the Company's gross revenue.

14. SEGMENTED INFORMATION

As at August 31, 2020, the Company operates in one segment: the production, sale and distribution of cannabis products. All property, plant and equipment are in Canada.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK

Financial instruments are measured either at fair value or at amortized cost. The table below lists the valuation methods used to determine the fair value of each financial instrument.

	Fair value method	Fair Value Hierarchy
Financial assets		
Cash and cash equivalents	Amortized cost	Level 1
Accounts receivable	Amortized cost	Level 1
Investment in True North - common shares	FVOCI	Level 3
Investment in True North - warrants	FVTPL	Level 3
Financial liabilities		
Accounts payable and accrued liabilities	Amortized cost	Level 1

(a) Fair value of financial instruments

The carrying values of the financial instruments carried at amortized cost at August 31, 2020, approximate their fair value due to the relatively short maturity of those instruments.

The fair value of the investment in True North was measured using a Level 3 fair value hierarchy inputs in Note 5.

(b) Financial instruments risk

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board mitigates these risks by assessing, monitoring and approving the Company's risk management processes.

(i) 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 cash and accounts receivables.

The risk exposure is limited to their carrying amounts at the statement of financial position date. The risk for cash and cash equivalents is mitigated by holding these instruments 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.

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. The Company has limited risk due to the fact that the majority of cannabis sales are transacted with Canadian provincial/territorial agencies, and the majority of medical cannabis and other sales are transacted with credit cards.

As at August 31, 2020, 62% (November 30, 2019 – 55%) of the receivables are from customers and of those 96% are outstanding for less than 30 days. The Company has assessed its expected credit loss in accordance with IFRS 9 and determined it to be nominal due to the nature and term of the receivables.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK (Continued)

(ii) 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.

The composition of the Company's accounts payable and accrued liabilities is as follows:

	August 31, 2020	November 30, 2019
Trade payables	\$ 290,703	\$ 400,557
Accrued liabilities	98,299	310,277
Taxes payable ⁽¹⁾	296,595	82,921
Due to related parties	9,242	23,500
Payroll liabilities	88,198	109,582
	\$ 783,037	\$ 926,837

⁽¹⁾ Taxes payable are comprised of statutory remittances for excise duty and sales taxes payable.

The Company's accounts payable and accrued liabilities as at August 31, 2020, are expected to be paid within one year.

16. SUBSEQUENT EVENTS

- On September 1, 2020, the Company granted 156,250 RSU's to its directors of which all RSU's will vest one year from the date the directors resign.
- On October 23, 2020, the Company issued 700,000 stock options to Officers and employees.
- On October 26, 2020, the Company announced the appointment of a new Chief Financial Officer.