

Speakeasy Cannabis Club Ltd.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended October 31, 2020 and 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

Speakeasy Cannabis Club Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

As at

	October 31, 2020	July 31, 2020
ASSETS		
Current assets		
Cash and equivalents	\$ 187,598	\$ 125,887
Sales taxes recoverable	174,813	127,571
Prepaid expenses	154,908	19,776
Construction deposit	4,093	5,661
Biological assets (Note 4)	12,508,182	6,908,568
Total current assets	13,029,594	7,187,463
Non-current assets		
Right-of-use assets (Note 6)	145,412	168,390
Intangible assets (Note 5)	2,200,000	2,200,000
Property, plant and equipment (Note 7)	14,618,223	14,248,392
Total non-current assets	16,963,635	16,616,782
Total assets	\$ 29,993,229	\$ 23,804,245
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Notes 8 and 11)	\$ 3,257,601	\$ 3,353,983
Advances payable (Note 9)	260,000	510,000
Convertible loan (Note 10)	1,288,520	987,260
Promissory note (Note 10)	190,000	190,000
Lease liabilities (Note 6)	107,613	104,966
Total current liabilities	5,103,734	5,146,209
Non-current liabilities		
Convertible loan (Note 10)	1,124,000	1,124,000
Lease liabilities (Note 6)	28,960	56,876
Total liabilities	6,256,694	6,327,085
Shareholders' equity		
Share capital (Note 12)	52,020,607	49,113,552
Contributed surplus (Note 12)	5,762,265	5,426,425
Commitment to issue shares (Note 12)	-	-
Deficit	(34,046,337)	(37,062,817)
Total shareholders' equity	23,736,535	17,477,160
Total liabilities and shareholders' equity	\$ 29,993,229	\$ 23,804,245

Nature of operations (Note 1)

Going concern assumption (Note 2)

Commitment and contingencies (Note 17)

Subsequent events (Note 19)

Approved on behalf of the Board of Directors:

"Patrick Geen"

"William Flemming"

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

Speakeasy Cannabis Club Ltd.**Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)****(Unaudited – Prepared by Management)****(Expressed in Canadian Dollars)**

	Three months ended	
	October 31,	
	2020	2019
Unrealized gain on change in fair value of biological assets (Note 4)	\$ 4,513,105	\$ -
	4,513,105	-
Operating Expenses		
Accretion (Note 10)	24,000	-
Advertising and promotion	120,850	49,134
Amortization and depreciation (Notes 6 and 7)	110,375	24,976
Automobile	829	19,509
Consulting fees (Note 11)	287,855	222,132
Filing and listing fees	7,731	15,450
Interest expense (Notes 6 and 10)	279,797	-
Interest income	-	(11,124)
Legal and professional fees	98,346	62,401
Loss on settlement of debt (Notes 8 and 9)	128,380	-
Meals and entertainment	-	1,329
Office and general expenses	85,753	324,771
Repairs and maintenance	-	540
Share-based compensation (Notes 11 and 13)	265,546	-
Travel	5,929	11,334
Salaries and wages (Note 11)	88,850	1,196,944
	(1,504,241)	(1,917,396)
Income (loss) and comprehensive income (loss)	\$ 3,008,864	\$ (1,917,396)
Basic and diluted earnings (loss) per share	\$ 0.03	\$ (0.02)
Weighted average number of ordinary shares outstanding – basic and diluted	112,853,052	86,916,638

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

Speakeasy Cannabis Club Ltd.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	2020	2019
Operating activities		
Income (loss) for the period	\$ 3,008,864	\$ (1,917,396)
Adjustment for non-cash items		
Amortization and depreciation	110,375	24,976
Accretion of interest of right of use assets	3,837	-
Accretion of promissory note	24,000	-
Accrued interest	277,260	-
Loss of settlement of debt	128,380	-
Share-based compensation	265,546	-
Unrealized gain on change in fair value of biological assets	(4,513,105)	-
Net changes in non-cash working capital:		
Sales taxes recoverable	(47,242)	(41,237)
Prepaid expenses	(133,564)	(61,530)
Due from a related party	-	2,290
Accounts payable and accrued liabilities	350,182	(355,749)
Biological assets	(1,069,063)	-
Net cash used in operating activities	(1,594,530)	(2,348,646)
Investing activities		
Expenditures on property, plant and equipment	(660,725)	(553,492)
Lease obligation expense	(5,352)	(21,418)
Net cash used in investing activities	(666,077)	(574,910)
Financing activities		
Proceeds from issuance of private placements	2,698,636	-
Share issuance costs	(126,318)	-
Repayment of advances payable	(250,000)	-
Net cash provided by financing activities	2,322,318	-
Net change in cash and equivalents	61,711	(2,923,556)
Cash and equivalents, beginning of period	125,887	3,922,921
Cash and equivalents, end of period	\$ 187,598	\$ 999,365

Supplemental disclosure of cash flow information - Note 18

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

Speakeasy Cannabis Club Ltd.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

	Common share capital		Subscription received in advance	Commitment to issue shares	Contributed surplus	Deficit	Total
	Number of shares	Amount					
Balance July 31, 2019	86,916,638	\$ 38,604,300	\$ -	\$ 5,000,000	\$ 4,976,563	\$ (34,384,895)	\$ 14,195,968
Loss for the period	-	-	-	-	-	(1,917,396)	(1,917,396)
Balance October 31, 2019	86,916,638	38,604,300	-	5,000,000	4,976,563	(36,302,291)	12,278,572
Private placements	3,287,500	1,315,000	-	-	-	-	1,315,000
Share issuance costs	-	(77,546)	-	-	16,296	-	(61,250)
Options exercised	75,000	49,152	-	-	(25,152)	-	24,000
Commitment to issue shares	12,250,000	6,188,000	-	(5,000,000)	-	-	1,188,000
Asset acquisition and consulting services	5,250,000	2,287,500	-	-	73,850	-	2,361,350
Shares for services	600,000	180,000	-	-	-	-	180,000
Shares issued for debt settlement	1,134,291	567,146	-	-	-	-	567,146
Share based compensation	-	-	-	-	384,868	-	384,868
Loss for the period	-	-	-	-	-	(760,526)	(760,526)
Balance July 31, 2020	109,513,429	49,113,552	-	-	5,426,425	(37,062,817)	17,477,160
Private placements	7,293,610	2,698,636	-	-	-	-	2,698,636
Share issuance costs - cash	-	(126,318)	-	-	-	-	(126,318)
Share issuance costs - broker's warrants	-	(77,910)	-	-	77,910	-	-
Shares issued for debt settlement	877,973	412,647	-	-	-	-	412,647
Share based compensation	-	-	-	-	265,546	-	265,546
Options cancelled	-	-	-	-	(7,616)	7,616	-
Income for the period	-	-	-	-	-	3,008,864	3,008,864
Balance October 31, 2020	117,685,012	\$ 52,020,607	\$ -	\$ -	\$ 5,762,265	\$ (34,046,337)	\$ 23,736,535

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

Speakeasy Cannabis Club Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

1. Nature of Operations

Speakeasy Cannabis Club Ltd. (the “Company” or “Speakeasy”) is a publicly traded company listed on the Canadian Securities Exchange (“CSE”), trading under the symbol EASY. The head office and registered records office of the Company is located at 1520 Meyers Creek Road West, Rock Creek, BC, Canada, V0H 1Y0.

The Company received an initial license to cultivate, process and sell cannabis for medical purposes in November 2019 for its indoor cultivation operations that was later amended in April 2020 to allow for the Company’s outdoor cultivation. In October 2020, the Company’s license was further amended to grant the Company the right to process cannabis into varying other cannabinoid products. The Company’s license expires in November 2022. In October 2020, the Company completed its first harvest of its outdoor crop consisting of approximately 60,000 plants (Note 4).

The Company does not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administration Staff Notice 51-352.

The Company was one of the respondents to the British Columbia Securities Commission (“BCSC”) Temporary Order dated November 26, 2018 issued against a group of people and entities. The hearing was held on December 7, 2018. The case centred around share issuances by 11 CSE issuers (the Company being one of the named issuers in the order) between February 2018 and August 2018 (Note 18). The BCSC is investigating whether the respondents violated securities legislation by participating in a scheme that involved conduct abusive to the capital markets and the illegal distribution of securities. The scheme, as set out by the BCSC, involved listed companies issuing private placement shares without a prospectus. The issuances were done under an exemption normally reserved for consultants.

On May 1, 2020, the Company entered into a settlement with the BCSC. The settlement resolves the BCSC’s review of the Company’s involvement in the ongoing BCSC investigation. Under the terms, the BCSC will not seek any orders against the Company, including financial orders. Full details of the settlement, including the settlement agreement, will be available on the BCSC website: www.bsc.bc.ca

2. Going Concern Assumption

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern under International Financial Reporting Standards (“IFRS”). The use of these principles under IFRS assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations. At October 31, 2020, the Company has incurred losses totaling \$34,046,337 (July 31, 2020 - \$37,062,817) since inception. The Company’s ability to continue as a going concern is dependent on its ability in the future to achieve profitable operations and in the meantime, obtain the necessary financing to meet its obligations and repay its liabilities when they come due. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

Speakeasy Cannabis Club Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

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3. Basis of Presentation

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting under International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements of the Company. These condensed consolidated interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s July 31, 2020, annual consolidated financial statements, which were prepared in accordance with IFRS as issued by the IASB. These unaudited condensed consolidated interim financial statements are expressed in Canadian dollars and have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting on a going concern basis. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements as if the policies have always been in effect.

(b) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 10161233 Canada Ltd. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

(c) Significant Accounting Judgments and Estimates

The Company’s management makes judgments in its process of applying the Company’s accounting policies to the preparation of its unaudited condensed consolidated interim financial statements. In addition, the preparation of financial data requires that the Company’s management make assumptions and estimates of the impacts on the carrying amounts of the Company’s assets and liabilities at the end of the reporting period from uncertain future events and on the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company’s unaudited condensed consolidated interim financial statements for the three months ended October 31, 2020, are consistent with those applied and disclosed in Note 4 to the Company’s audited consolidated financial statements for the year ended July 31, 2020.

4. Biological assets

The Company’s biological assets consists of cannabis plants from the Company’s indoor and outdoor operations. The continuity of biological assets for the period ended October 31, 2020 and year ended July 31, 2020 was as follows:

	Period ended October 31, 2020	Year ended July 31, 2020
Biological Assets		
Balance, beginning of period	\$ 6,908,568	\$ -
Production costs capitalized	1,086,509	3,778,257
Unrealized gain on changes in fair value of biological assets	4,513,105	3,130,311
Balance, end of period	\$ 12,508,182	\$ 6,908,568

Speakeasy Cannabis Club Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

(Unaudited – Prepared by Management)

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4. Biological assets (continued)

As at October 31, 2020, the ending balance of biological assets was comprised of a cash component relating to production costs capitalized of \$1,086,509 (July 31, 2020 - \$3,778,257) and a fair value component related to changes in fair value less costs to sell due to biological transformation of \$4,513,105 (July 31, 2020 - \$3,130,311). Biological assets as at October 31, 2020 included capitalized amortization of \$30,590 (2019 - \$26,617). The fair value of biological assets is determined using a valuation model to estimate expected harvest yield per plant applied to the estimated price per gram less post-harvest costs. Only when there is a material change from the expected fair value used for cannabis does the Company make any adjustment to the fair value used.

The Company's estimates, by their nature, are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological assets. The capitalization of costs related to biological assets (which are accounted for under IAS 41 - Agriculture) has been performed in a manner consistent with IAS 2 - Inventories.

In determining the fair value of indoor and outdoor biological assets, management has made the following estimates in their valuation model:

- A sales price of \$1.00 per gram for outdoor and \$3.50 per gram for indoor;
- Harvest yield of 252 grams per plant for outdoor and 452 grams per plant for indoor;
- Post-harvest costs of \$0.01 per gram for both outdoor and indoor; and
- A weighted-average growing cycle length of 120 days for indoor and 145 days for outdoor.

The sales price used in the valuation of biological assets is based on the weighted-average selling price of all cannabis products and can vary based on different strains being grown as well as the proportion of sales derived from wholesale compared to other sources. The Company negotiated a price for its indoor cultivated product providing the basis of the sales price for indoor cultivation. The Company has yet to complete any sales of its outdoor cultivation and accordingly has estimated the outdoor price based on available market information regarding wholesale prices of cannabis biomass. Harvest yields per cannabis plant represent the grams of dry cannabis and other biomass harvested, based on actual yields by plant strain as the biological assets were all harvested as at the date of this report. Yields are also subject to a variety of factors, such as strains being grown, length of growing cycle, and space allocated for growing. The Company's yields are for cannabis biomass. Cannabis biomass typically consists of flower, trim, and other by product typically used for additional processing and extraction.

Post-harvest costs represent the estimated cost to process a gram of harvested cannabis, consisting of the direct and indirect cost of materials, labour, utilities and amortization of the equipment. A processed gram is a gram of cannabis that has completed drying, curing, testing, and packaging. The post-harvest costs reflect an average of the costs expected to be incurred to prepare the product into its saleable state based on the expected sales channels for the product. Management reviews all significant inputs based on historical information obtained as well as based on planned production schedules. All biological assets are classified as current assets on the consolidated statement of financial position and are considered Level 3 fair value estimates. The valuation of biological assets is based on an income approach in which the fair value at the point of harvesting is estimated based on selling prices less the costs to sell. For in-process biological assets, the fair value at point of harvest is adjusted based on the stage of growth at period end. Stage of growth is determined by reference to the plant's life relative to the stages within the harvest cycle. Management has quantified the sensitivity of the inputs and determined the following:

- Selling price per gram – an increase / decrease in the weighted-average selling price per gram by 10% would result in the fair value of the biological assets increasing / decreasing by \$1,257,466;
- Harvest yield per plant – an increase / decrease in the harvest yield per plant of 10% would result in the biological asset fair value increasing / decreasing by \$1,236,047;
- Post-harvest costs – an increase / decrease in the post-harvest costs per gram by 10% would result in the biological asset fair value increasing / decreasing by \$6,648; and
- Growth length – an increase / decrease in the growing cycle length by 10% would result in the biological fair value increasing / decreasing by \$1,384,630.

Speakeasy Cannabis Club Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

5. Intangible assets

On July 30, 2020, the Company entered into, and amended, a license agreement with Phenome One Corp. (“Phenome”) to acquire the rights to propagate, cultivate, harvest, process and breed Phenome cultivars. On July 30, 2020, in consideration of the license agreement, the Company issued 5,000,000 common shares valued at \$2,200,000.

On July 31, 2020, the Company assessed the intangible assets for indicators of impairment and noted no significant indicators existed as at, or during period ended October 31, 2020. No amortization has been recorded as at October 31, 2020 as the asset was recently acquired.

6. Right of Use Assets

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments excluding renewal options as they are not expected to be exercised, discounted using the Company’s incremental borrowing rate as of August 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on August 1, 2019 was 10%.

The following is a reconciliation of operating lease commitments to lease obligation in accordance with IFRS 16:

Total operating lease commitments disclosed at July 31, 2019	\$	197,262
Less: short-term leases		-
Current operating lease liabilities before discounting		197,262
Discounted using incremental borrowing rate		(22,669)
Total current lease liabilities recognized under IFRS 16 at August 1, 2019	\$	174,593
Addition		69,600
Discounted using incremental borrowing rate		(6,754)
Total lease liabilities recognized under IFRS 16 at July 31, 2020 and October 31, 2020	\$	237,439

The recognized right-of-use asset relates to the lease on the Canadian facilities. The change in accounting policy affected the following items in the statement of financial position on August 1, 2019:

- Right-of-use assets – increased by \$174,593
- Lease liabilities - increased by \$174,593

In applying IFRS 16 for the first time, the Company used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous
- elected to account for the payments for short-term leases and leases of low-value assets as an expense in the statement of loss on a straight-line basis over the lease term
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

For the period ending October 31, 2020, the depreciation of the right of use assets were \$22,978. The right of use assets are depreciated on a straight-line basis over the term of the lease.

Right of use asset, August 1, 2019	\$	174,593
Additions		62,846
Depreciation of right of use assets		(69,049)
Right of use asset, July 31, 2020		168,390
Depreciation of right of use assets		(22,978)
Right of use asset, October 31, 2020	\$	145,412

Speakeasy Cannabis Club Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

6. Right of Use Assets (continued)

As at October 31, 2020, the Company had two agreements that are leases as defined under IFRS 16. In analyzing the identified agreements, the Company applied the lessee accounting model pursuant to IFRS 16 and considered all of the facts and circumstances surrounding the inception of the contract. Lease liabilities were calculated with a discount rate of 10%.

Lease Type	Date of Maturity
Office space – Unit B - 430 Lyall Street, Midway, BC	March 31, 2022
Office space – Unit D - 430 Lyall Street, Midway, BC	April 30, 2022

For the period ending October 31, 2020, finance charges on the lease liabilities were \$3,837, included in interest and bank charges in profit or loss.

Lease liabilities, August 1, 2019	\$	174,593
Additions		62,846
Payments		(91,776)
Finance costs		16,179
Lease liabilities, July 31, 2020		161,842
Reclassify to accounts payable and accrued liabilities		(23,754)
Payments		(5,352)
Finance costs		3,837
Lease liabilities, October 31, 2020	\$	136,573

		October 31, 2020
Less than one year	\$	107,613
Greater than one year		28,960
Total lease liabilities, October 31, 2020	\$	136,573

Speakeasy Cannabis Club Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

7. Property, Plant and Equipment

COST	Building and Improvements	Equipment	Land	Total
Balance, July 31, 2019	\$ 10,504,760	\$ 1,716,683	\$ 449,916	\$ 12,671,359
Additions	1,716,168	147,273	-	1,863,441
Balance, July 31, 2020	12,220,928	1,863,956	449,916	14,534,800
Additions	440,751	33,923	-	474,674
Balance, October 31, 2020	\$ 12,661,679	\$ 1,897,879	\$ 449,916	\$ 15,009,474

ACCUMULATED AMORTIZATION	Building and Improvements	Equipment	Land	Total
Balance, July 31, 2019	\$ -	\$ -	\$ -	\$ -
Additions	174,947	111,461	-	286,408
Balance, July 31, 2020	174,947	111,461	-	286,408
Additions	43,679	61,164	-	104,843
Balance, October 31, 2020	\$ 218,626	\$ 172,625	\$ -	\$ 391,251

NET BOOK VALUE	Building and Improvements	Equipment	Land	Total
Balance, July 31, 2020	\$ 12,045,981	\$ 1,752,495	\$ 449,916	\$ 14,248,392
Balance, October 31, 2020	\$ 12,443,053	\$ 1,725,254	\$ 449,916	\$ 14,618,223

On August 1, 2019, the Company started recording amortization on certain buildings, improvements and equipment which became available to use upon the Company receiving its licence to grow and completing construction of certain of its facilities. During the period ended October 31, 2020, \$17,446 of amortization was capitalized to biological assets (Note 4).

During the year ended July 31, 2020, the Company reclassified deposit of \$54,623 for construction of buildings to buildings and improvement.

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Notes to Condensed Interim Consolidated Financial Statements

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(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

8. Accounts Payable and Accrued Liabilities

		October 31, 2020		July 31, 2020
Accounts payable	\$	2,694,586	\$	2,945,404
Accrued liabilities		94,254		269,618
Payroll tax liabilities		468,761		138,961
	\$	3,257,601	\$	3,353,983

During the period ended October 31, 2020, the Company settled \$284,267 of debt with the issuance of 877,973 common shares, which resulted in a loss of \$128,380 (Note 12).

During the year ended July 31, 2020, the Company settled \$167,068 of debt with the issuance of 435,072 common shares, which resulted in a loss of \$50,468 (Note 12).

9. Advances Payable

During the year ended July 31, 2020, the Company received the following loans:

- i) \$250,000 unsecured non-interest bearing loan from a related party with no set repayment term. The loan remained outstanding at October 31, 2020.
- ii) \$10,000 unsecured non-interest bearing loan from a related party with no set repayment term. The loan remained outstanding at October 31, 2020.
- iii) \$150,000 unsecured non-interest bearing loan with no set repayment term. The Company repaid this loan in full during period ended October 31, 2020,
- iv) \$143,500 unsecured non-interest bearing loan from a related party with no set repayment term. The loan was fully settled in consideration of 373,698 common shares valued at \$186,849 and resulted in a loss of \$43,350 (Note 14).
- v) \$125,000 unsecured non-interest bearing loan with no set repayment term. The loan was fully settled in consideration of 325,521 common shares valued at \$162,760 and resulted in a loss of \$37,760 (Note 12).

Speakeasy Cannabis Club Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the three months ended October 31, 2020 and 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

10. Convertible Loan

During the year ended July 31, 2020, the Company entered into a senior secured convertible loan agreement in the principal amount of \$2,000,000. The loan bears interest at a rate of 55% per annum and will be repayable as to \$1,810,000 (principal of \$710,000) on or before May 5, 2021, and \$1,999,500 (principal of \$1,290,000) on or before May 5, 2022.

The loan, including accrued interest, is convertible into common shares of the Company at a price of \$1.00 per share, subject to adjustment on the terms and condition set forth in the agreement.

The loan is secured by the Company's property in Rock Creek and a first-ranking general security agreement over all of the present and after-acquired personal property of the Company and the Guarantor.

In connection with the convertible loan, the Company has agreed to pay a finder's fee of \$190,000 on or before May 21, 2021 as a promissory note. The promissory note is unsecured and non-interest bearing.

The discount on the convertible loan is amortized using the effective interest method over the two year term of the convertible loan. The Company accretes the carrying value of the convertible loan each month by recognizing an accretion expense in profit or loss and a credit to convertible loan. During the period ended October 31, 2020, the Company recorded \$24,000 of accretion expense.

Balance, August 1, 2019	\$	-
Convertible loan principal		2,000,000
Finder's fees		(190,000)
Accretion		24,000
Interest		277,260
Convertible loan, July 31, 2020	\$	2,111,260
Accretion		24,000
Interest		277,260
Convertible loan, October 31, 2020	\$	2,412,520

		October 31,
<i>Convertible loan</i>		2020
Less than one year	\$	1,288,520
Greater than one year		1,124,000
Total convertible loan, October 31, 2020	\$	2,111,260

Speakeasy Cannabis Club Ltd.

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11. Related Party Transactions and Disclosures

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 members of the Company's Board of Directors and corporate officers. The remuneration of directors and key management personnel is as follows:

During the period ended October 31, 2020, the Company:

- i) incurred wages, labour and management fees of \$60,000 (2019 - \$Nil) to a former director and CEO of the Company, namely Marc Geen, of which \$Nil (2019 - \$Nil) was a performance bonus paid in common share. 10,000,000 bonus shares valued at \$5,000,000 were issued during the year ended July 31, 2020 that had fully vested as at July 31, 2019.
- ii) wrote off GST recoverable of \$Nil (2019 - \$200,127) reflected in consulting fees to a company controlled by a former director and CFO of the Company, namely Anthony Jackson, who resigned on September 6, 2018.
- iii) incurred wages, labour and management fees of \$66,000 (2019 - \$60,000) to the former CEO, namely Bin Huang, of the Company.
- iv) incurred wages, labour, and management fees of \$48,000 (2019 - \$42,000) capitalized to biological assets to a director of the Company, namely Frey Garabagi.
- v) incurred consulting, wages of \$30,000 (2019 - \$Nil) to the corporate secretary of the Company for corporate secretary services, namely Deborah Cotter.
- vi) incurred wages, labour and management fees of \$42,000 (2019 - \$36,000) capitalized to biological assets to a director of the Company, namely Patrick Geen.
- vii) incurred consulting fees of \$45,000 (2019 - \$Nil) to the CEO of the Company, namely Malcolm Davidson.
- viii) incurred consulting fees of \$Nil (2019 - \$40,000) capitalized to biological assets to a company owned by a former director of the Company, namely Zreyas Consulting Inc., owned by Zena Prokosh. An additional \$63,000 was paid as severance recorded through the statement of profit and loss during the year ended July 31, 2020.
- ix) granted 700,000 (2019 - Nil) stock options to related parties with a value of \$71,848 (2019 - \$Nil) for options vested during the period.

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11. Related Party Transactions and Disclosures (continued)

As at October 31, 2020, the Company had balances due to related parties of:

- i) \$520 (July 31, 2020 – due to \$8,858) which is due to the corporate secretary of the Company, namely Deborah Cotter.
- ii) \$713 (July 31, 2020 - \$713) which is due to the president of the Company, namely Brian Peery. The amount has no set repayment term, is unsecured and is non-interest bearing.
- iii) \$8,358 (July 31, 2020 - \$24,107) which is due to the former CEO, namely Bin Huang, of the Company.
- iv) \$13,968 (July 31, 2020 - \$20,351) which is due to a director of the Company, namely Frey Garabagi. The amount has no set repayment term, is unsecured and is non-interest bearing.
- v) \$20,200 (July 31, 2020 - \$33,712) which is due to a company owned by a former director of the Company, namely Hilliard Consulting LLC, owned by Alex Kaulins. The amount has no set repayment term, is unsecured and is non-interest bearing.
- vi) \$Nil (July 31, 2020 - \$6,000) which is due to a director of the Company, namely Patrick Geen.
- vii) \$5,140 (July 31, 2020 - \$Nil) which is due to the CEO of the Company, namely Malcolm Davidson.

As at October 31, 2020, the Company had balances due from a related party of \$20,129 (July 31, 2020 - \$30,820), which is due from a former director and CEO of the Company, namely Marc Geen.

12. Share Capital

The Company's authorized share capital consists of an unlimited number of common shares with no par value.

During the period ended October 31, 2020, the Company:

- i) closed the non-brokered private placement of 3,530,000 units at a price of \$0.37 for gross proceeds of \$1,306,100. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire an additional common share at a price of \$0.60 for a period of 24 months from closing. In connection with the private placement, the Company paid cash finders fees of \$78,366 and issued 211,800 non-transferable broker warrants. Each broker warrant entitles the holder to acquire one common share at an exercise price of \$0.60 per share for a period of 24 months following closing.
- ii) closed the non-brokered private placement of 3,763,610 units at a price of \$0.37 for gross proceeds of \$1,392,536. Each unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire an additional common share at a price of \$0.60 for a period of 24 months from closing. In connection with the private placement, the Company paid cash finders fees of \$47,952 and issued 129,600 non-transferable broker warrants. Each broker warrant entitles the holder to acquire one common share at an exercise price of \$0.60 per share for a period of 24 months following closing. The Company applied \$100,000 in advances payable towards the financing (Note 9).
- iii) issued 877,973 common shares in settlement of debts in the amount of \$324,850 (Note 8).

During the year ended July 31, 2020, the Company:

- i) issued 10,000,000 common shares valued at \$5,000,000 pursuant to a performance agreement for the receipt of the Health Canada's license for cultivation, processing and medical sales.

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12. Share Capital (continued)

- ii) issued 100,000 common shares valued at \$50,000 recorded as share-based compensation pursuant to a performance agreement for the receipt of the Medical Purposes Regulations license application (“ACMPR”) from Health Canada.
- iii) issued 3,287,500 units at a price of \$0.40 per unit for proceeds of \$1,315,000. Each unit comprises of one common share and one warrant. Each warrant is exercisable into a common share at an exercise price of \$0.80 with a 12 months expiry. In connection with this private placement, the Company paid \$59,950 in finders' fees and issued 153,125 finders warrants valued at \$16,296. Each broker warrant entitles the holder to acquire one common share at an exercise price of \$0.80 per share for the period of 12 months following closing. The Company also paid other share issuance costs of \$1,300.
- iv) issued 2,000,000 common shares valued at \$1,060,000 recorded as share-based compensation pursuant to a performance agreement for the receipt of a license to sell under the ACMPR from Health Canada.
- v) issued 100,000 common shares valued at \$53,000 recorded as share-based compensation pursuant to a performance agreement for the receipt of the amending ACMPR license from Health Canada.
- vi) issued 75,000 common shares for proceeds of \$24,000 pursuant to the exercise of options, and accordingly, the Company reallocated \$25,152 of contribution surplus to share capital.
- vii) issued 600,000 common shares in settlement of \$180,000 worth of consulting services owed to an arm's length creditor.
- viii) issued 250,000 common shares valued at \$87,500 pursuant to business consulting services. In connection to the transaction, the Company also granted the following: 400,000 warrants exercisable into common shares at an exercise price of \$0.50 expiring on March 10, 2021; 400,000 warrants exercisable into common shares at an exercise price of \$0.75 expiring on March 10, 2021; and 400,000 warrants exercisable into common shares at an exercise price of \$1.00 expiring on March 10, 2021.
- ix) issued 1,134,291 common shares valued of \$567,146 in settlement of debts of \$435,568, which resulted in a gain of \$131,578. A total of 598,718 common shares were issued to a related party to settle \$227,513 in debt resulting in a loss of \$71,846. A total of 79,844 common shares were issued to a former related party to settle \$30,341 in debt resulting in a loss of \$9,581. The debt settled is comprised of amounts in accounts payable and advances payable (Note 8 and 9).
- x) issued 50,000 common shares valued at \$25,000 recorded as share-based compensation to the corporate secretary of the Company in satisfaction of the Company achieving certain milestones with respect to the BCSC order.
- xi) issued 5,000,000 common shares valued at \$2,200,000 pursuant to the acquisition of intangible assets (Note 5).

Escrowed Shares

At October 31, 2020, there were 1,200,000 (July 31, 2020 – 2,400,000) shares held in escrow.

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12. Share Capital (continued)

Stock Options

A summary of the status of share purchase options outstanding is presented below:

	Number of stock options	Weighted average exercise price (\$)
Balance, July 31, 2019	6,388,333	0.79
Granted	1,435,000	0.52
Exercised	(75,000)	0.32
Expired/Cancelled	(40,000)	0.80
Balance, July 31, 2020	7,708,333	0.74
Granted	1,417,162	0.52
Exercised	-	-
Expired/Cancelled	(185,000)	0.83
Balance, October 31, 2020	8,940,495	0.74

During period ended October 31, 2020, the Company

- i) granted 417,162 stock options to a consultant exercisable at a price of \$0.60 until October 15, 2022.
- ii) granted 1,000,000 stock options to an officer and certain employees exercisable at a price of \$0.48 until October 15, 2025.

The following table sets out the details of the stock options granted and outstanding as at October 31, 2020:

Expiry date	Exercise price (\$)	Number of options outstanding	Number of options exercisable
October 15, 2022	0.60	417,162	417,162
March 26, 2023	0.95	825,000	825,000
July 23, 2023	0.70	1,300,000	1,300,000
July 23, 2023	0.95	925,000	925,000
October 23, 2023	0.70	200,000	200,000
February 28, 2024	0.90	200,000	200,000
March 12, 2024	0.80	825,000	825,000
March 15, 2024	0.90	100,000	100,000
May 29, 2024	0.88	100,000	100,000
June 27, 2024	0.67	1,738,333	1,738,333
August 8, 2024	0.70	150,000	87,500
November 11, 2024	0.70	240,000	80,000
January 2, 2025	0.32	225,000	75,000
January 30, 2025	0.39	100,000	25,000
April 8, 2025	0.53	545,000	377,918
May 4, 2025	0.42	50,000	12,500
October 15, 2022	0.48	1,000,000	250,000
		8,940,495	7,538,412

Speakeasy Cannabis Club Ltd.

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12. Share Capital (continued)

Stock Options (continued)

During the period ended October 31, 2020, the Company recorded stock-based compensation of \$265,546 (2019 - \$Nil) for the fair value of the options granted and vested.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period ended October 31, 2020 and year ended July 31, 2020:

Period ended October 31, 2020

Expected Volatility	129.23%
Risk-free interest rate	0.31%
Expected life in years	4.12 years
Expected dividend yield	0.00%
Discount rate	0.00%
Weighted average fair value per option	\$0.38

Year ended July 31, 2020

Expected Volatility	159.45%
Risk-free interest rate	1.13%
Expected life in years	5 years
Expected dividend yield	0.00%
Discount rate	0.00%
Weighted average fair value per option	\$0.41

Warrants

	Number of warrants	Weighted average exercise price (\$)
Balance, July 31, 2019	22,290,398	0.99
Issued	4,640,625	0.79
Cancelled	(1,200,000)	0.75
Balance, July 31, 2020	25,731,023	0.97
Issued	7,635,010	0.60
Expired	(238,648)	1.00
Balance, October 31, 2020	33,127,385	0.89

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12. Share Capital (continued)

Warrants (continued)

The following table sets out the details of the warrants issued and outstanding as at October 31, 2020:

Expiry date	Exercise price (\$)	Number of warrants outstanding
December 6, 2021	0.80	3,287,500
December 6, 2020*	0.80	153,125
March 8, 2021	1.00	8,250,000
March 8, 2021	1.00	245,000
April 24, 2021	1.00	9,778,463
April 24, 2021	1.00	14,500
April 25, 2021	1.00	1,745,385
April 25, 2021	1.00	86,500
September 27, 2021	1.00	1,931,902
August 25, 2022	0.60	3,530,000
August 25, 2022	0.60	211,800
October 15, 2022	0.60	3,763,610
October 15, 2022	0.60	129,600
		33,127,385

* expired subsequent to October 31, 2020

During the period ended October 31, 2020, the Company recorded the fair value of 341,400 broker's warrants issued for the private placements of \$77,910.

During the year ended July 31, 2020, the Company recorded the fair value of finders fees of \$16,296 and the fair value of 1,200,000 warrants issued for the acquisition of asset and consulting services of \$73,850.

The following weighted average assumptions were used for the Black-Scholes valuation of warrants granted during the period ended October 31, 2020 and year ended July 31, 2020:

Period ended October 31, 2020

Expected Volatility	111.93%
Risk-free interest rate	0.27%
Expected life in years	2.00 year
Expected dividend yield	0.00%
Discount rate	0.00%
Weighted average fair value per warrant	\$0.38

Year ended July 31, 2020

Expected Volatility	96.67%
Risk-free interest rate	0.70%
Expected life in years	1 year
Expected dividend yield	0.00%
Discount rate	0.00%
Weighted average fair value per warrant	\$0.06

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13. Capital Management

The Company's policy is to maintain a strong capital base as to maintain investor and creditor confidence, safeguard the Company's ability to support the development of its projects and to sustain future development of the business. The capital structure of the Company consists of shareholders' equity. There are no restrictions on the Company's capital. There were no changes in the Company's approach to capital management during the year.

14. Financial instruments and risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Company's management team approves and monitors the risk management processes, with guidance from the Audit Committee under policies approved by the Board of Directors. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with trust accounts and a credit union in Canada. The Company does not believe its receivables are subject to significant credit risk as they consist mainly of sales taxes recoverable from a Canadian government agency.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 15, in normal circumstances.

Historically, the Company's source of funding has been the issuance of debt and equity securities for cash. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The Company's financial liabilities are comprised of its accounts payable and accrued liabilities, convertible loan, due to related parties, and advances payable.

c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

i) Interest rate risk

As October 31, 2020, the Company did not hold any material interest bearing investments or liabilities and has no significant interest rate risk.

ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. At October 31, 2020, the Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company has limited foreign currency exposure.

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14. Financial instruments and risk management (continued)

iii) Price risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company is subject to risk of prices to its products due to competitive or regulatory pressures. Please refer to Note 6 for sensitivity tests on Biological Assets.

15. Segmented information

The Company operates in one industry segment, the cultivation and sale of cannabis biomass. As at October 31, 2020, the Company's long term assets were located in Canada.

16. Non-related consulting transactions

Pursuant to the BCSC decision dated January 15, 2019, the temporary order has not been extended against the Company (Note 1). As at October 31, 2020, accounts payable and accrued liabilities of \$320,000 (July 31, 2020 – \$320,000) was owing to the above parties.

17. Commitments and Contingencies

The Company has the following contingencies:

- i) A legal claim was brought against the Company during the year by a consultant. Management considers this claim to be unjustified and the probability that it will require settlement at the Company's expense to be remote. This evaluation is consistent with external independent legal advice.
- ii) There is a petition proceeding in which the petitioners seek leave to commence claims under s. 140.3 of the Securities Act, R.S.B.C. 1996, c. 418 for alleged misrepresentations made by the Company and 10 other issuers. The petitioners wish to have those claims heard as part of the class action. The Petition to the Court was filed on February 24, 2020. The Company filed a Response to Petition on February 27, 2020.
- iii) On July 11, 2019, a Notice of Civil Claim was filed against the Company along with 10 other issuers. The notice of claim alleges that the Company and the other defendants made certain misrepresentations and conspired with each other and certain consultants to injure the plaintiffs. Most defendants, including the Company, have yet to file a Response to Civil Claim. The plaintiffs have not yet delivered their materials for the certification application. Without these materials it is difficult for the Company to assess the likelihood of the case being certified or the likelihood of the plaintiffs ultimately succeeding on their claims. The Company intends to vigorously oppose the certification application if and when it is brought against the Company.

The Company may become party to litigation, from time to time, in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's name.

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18. Supplemental disclosure of cash flow information

		October 31, 2020		October 31, 2019
Cash paid for:				
Interest	\$	-	\$	-
Income taxes	\$	-	\$	-
Non-cash transactions in investing and financing activities:				
Fair value of options cancelled	\$	7,616	\$	-
Fair value of broker warrants exercised	\$	77,910	\$	-
Construction deposit reclassified to buildings and improvement	\$	54,623	\$	-
Amortization capitalized to biological assets	\$	17,446	\$	-
Lease liabilities included in accounts payable and accrued liabilities	\$	23,754	\$	-
Property, plant and equipment included in accounts payable and accrued liabilities	\$	1,215,991	\$	1,330,507

19. Subsequent event

Subsequent to October 31, 2020, the Company entered into an agreement for the purchase of hemp biomass from a related party for consideration to be determined based on the ultimate sales price of the hemp. The seller retains a security interest in the hemp until paid in full.