

DUCKHORN VENTURES LTD.

Condensed Interim Financial Statements
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

For the six months ended June 30, 2020 and
for the period from incorporation on
March 25, 2019 to June 30, 2019

Duckhorn Ventures Ltd.
(the “Company” or “Duckhorn”)

CONDENSED INTERIM FINANCIAL STATEMENTS
As at and for the six months ended June 30, 2020

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Management of Duckhorn Ventures Ltd. is responsible for the preparation of the accompanying unaudited condensed interim financial statements. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of condensed interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company’s auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

DUCKHORN VENTURES LTD.

Condensed Interim Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	As at June 30, 2020	As at December 31, 2019
Assets		
Current Assets		
Cash	\$ 1,279	\$ 3,095
Accounts receivable	8,007	4,409
Investment (Note 4)	5,400	10,800
Investment in Enosi (Note 6)	207,452	206,740
Total Assets	222,138	\$ 225,044
Liabilities and Shareholders' Deficiency		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 164,318	\$ 98,555
Loan payable (Note 7)	5,250	-
Promissory notes payable (Note 5, 7)	244,045	230,866
	413,613	329,421
Shareholders' Deficiency		
Share capital (Note 8)	124,653	124,653
Share-based payment reserve	6,692	6,692
Deficit	(322,820)	(235,722)
	(191,475)	(104,377)
Total Liabilities and Shareholders' Deficiency	222,138	\$ 225,044

Nature and continuance of operations (Note 1)

Approved on Behalf of the Board on August 27, 2020:

"Scott Ackerman"

Scott Ackerman – CEO/CFO/Director

"Brent Ackerman"

Brent Ackerman – Director

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

DUCKHORN VENTURES LTD.

Condensed Interim Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	For the three months ended June 30,		For the six months ended June 30,	For the period from incorporation on March 25, 2019 to June 30, 2019
	2020	2019	2020	2019
Expenses				
Administration expenses	\$ 3,338	\$ 1,269	\$ 6,357	\$ 1,752
Finance expense	6,668	527	13,179	562
Management fees	-	20,000	-	20,000
Professional fees	31,030	10,000	61,030	10,000
Share-based payments	-	37,116	-	37,116
Transfer agent and filing fees	1,801	454	1,844	454
	(42,837)	(69,366)	(82,410)	(69,884)
Other Items				
Interest income (Note 6)	-	-	712	-
Unrealized gain/(loss) on investments at fair value (Note 4)	1,800	1,350	(5,400)	2,250
Loss and comprehensive loss for the period	\$ (41,037)	\$ (68,016)	\$ (87,098)	\$ (67,634)
Weighted average number of shares outstanding – basic and diluted	24,930,500	21,387,300	24,930,500	20,204,711
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

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

DUCKHORN VENTURES LTD.

Condensed Interim Statements of Changes in Shareholders' Equity/(Deficiency)

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Share Capital				
	Number	Amount	Reserves	Deficit	Total
	(Note 8)				Shareholders' Equity (Deficiency)
Balance, December 31, 2019	24,930,500	\$ 124,653	\$ 6,692	\$ (235,722)	\$ (104,377)
Loss for the period	-	-	-	(87,098)	(87,098)
Balance, June 30, 2020	24,930,500	\$ 124,653	\$ 6,692	\$ (322,820)	\$ (191,475)

Balance, (incorporation) – March 25, 2019	-	\$ -	\$ -	\$ -	\$ -
Common shares issued - Cash	5,000,000	25,000	-	-	25,000
Common share issued – Plan of arrangement	19,930,500	-	-	-	-
Share-based payments	-	-	37,116	-	37,116
Loss for the period	-	-	-	(67,634)	(67,634)
Balance, June 30, 2019	24,930,500	\$ 25,000	\$ 37,116	\$ (67,634)	\$ (5,518)

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

DUCKHORN VENTURES LTD.

Condensed Interim Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	For the six months ended June 30, 2020	For the period from incorporation on March 25, 2019 to June 30, 2019
Cash provided by / (used for):		
Operating Activities:		
(Loss)/gain for the period	\$ (87,098)	\$ (67,634)
Item not involving cash:		
Accrued interest income	(712)	-
Accrued interest expense	13,179	562
Share-based payments	-	37,116
Unrealized (gain)/loss on investment at fair value	5,400	(2,250)
Net change in non-cash working capital items:		
Accounts payable and accrued liabilities	65,763	12,745
Accounts receivable	(3,598)	(551)
	(7,066)	(20,012)
Financing Activities:		
Proceeds from loan payable	5,250	-
Proceeds from share issuance	-	25,000
	5,250	25,000
Increase/(decrease) in cash for the period	(1,816)	4,988
Cash, beginning of the period	3,095	-
Cash, end of the period	\$ 1,279	\$ 4,988
Supplemental information:		
Interest paid	\$ -	\$ -
Income taxes	\$ -	\$ -

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

DUCKHORN VENTURES LTD.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Duckhorn Ventures Ltd. (the “Company” or “Duckhorn”) was incorporated under the British Columbia Business Corporations Act on March 25, 2019. The head office and records and registered office is located at 1600 – 609 Granville Street, Vancouver, British Columbia V7Y 1C3.

The Company is currently managing its investment portfolio and is investigating and evaluating business opportunities to either acquire or in which to participate.

In March 2019, the Company received \$25,000 in consideration of the issuance of 5,000,000 common shares of the Company. On May 29, 2019, ECC Diversified Inc. (“ECC”) completed a strategic reorganization of its assets by way of a plan of arrangement (the “Arrangement”) in which it spun out Duckhorn and other investee subsidiaries. The Arrangement was approved by the shareholders of ECC on May 17, 2019 and the Supreme Court of British Columbia issued its final order approving the Arrangement on May 28, 2019. Pursuant to the terms of the Arrangement, ECC distributed to each shareholder of ECC, as of April 17, 2019, one common share in the capital of Duckhorn for every common share in the capital of ECC held. As a result, 19,930,500 common shares of the Company were issued (Note 8).

In August 2019, the Company entered into a non-binding letter of intent (the “LOI”) with Enosi Pharmaceuticals Corp. (“Enosi”), whereby certain non-binding understandings and certain binding agreements between the Company and Enosi with respect to the basic terms and conditions of the acquisition by the Company of all the issued and outstanding equity securities of Enosi were set out. See Note 6 for details of this transaction.

The Company incurred a net loss and comprehensive loss of \$87,098 for the period ended June 30, 2020. As at June 30, 2020, the Company has an accumulated deficit of \$322,820 and a working capital deficiency of \$191,475. Continuing business as a going concern is dependent upon the ability of the Company to obtain additional debt or equity financing, both of which are uncertain. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

These financial statements have been prepared in accordance with IFRS with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

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 results of operations at this time.

DUCKHORN VENTURES LTD.**Notes to the Condensed Interim Financial Statements**

For the six months ended June 30, 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION

The condensed interim financial statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standard Board (“IASB”) and in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. The condensed interim financial statements do not include all the information required for the full annual financial statements and should be read in conjunction with the most recent audited December 31, 2019 annual financial statements of the Company which are available on www.sedar.com. The financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company. The Company’s financial statements were authorized for issue by the Board of Directors on August 27, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements of the Company have been prepared on the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, the financial statements have been prepared using the accrual basis of accounting, except for the statements of cash flows.

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company’s most recent audited annual December 31, 2019 financial statements of the Company which are available on www.sedar.com and reflect all the adjustments necessary for fair presentation in accordance with IAS 34. There has been no material impact on these financial statements from changes in accounting standards during the period.

4. INVESTMENTS

All of the Company’s investments have been classified as FVTPL.

	June 30, 2020		December 31, 2019	
	Fair value	Cost	Fair value	Cost
	\$	\$	\$	\$
Publicly traded securities	5,400	21,150	10,800	21,150
	5,400	21,150	10,800	21,150

DUCKHORN VENTURES LTD.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

4. INVESTMENTS (continued)

Changes in the Company's investments at fair value were as follows:

	June 30, 2020	December 31, 2019
	\$	\$
Opening Balance	10,800	-
Purchase of marketable securities	-	21,150
Unrealized loss	(5,400)	(10,350)
Ending Balance	5,400	10,800

Publicly traded securities

The Company's publicly traded securities can be sold at any time at the Company's discretion subject to market conditions and from time to time hold period restrictions of not more than four months pursuant to the terms of each respective private placement subscription agreement, as well as escrow restrictions, if applicable. As at June 30, 2020 the Company's investments consisted of the following:

i. World Class Extractions Inc ("PUMP")

As at June 30, 2020, the Company holds 180,000 common shares in PUMP valued at \$5,400. PUMP is a publicly traded company listed on the Canadian Securities Exchange.

5. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

During fiscal 2019, \$5,375 was recorded as share-based compensation costs for key management personnel. There were management fees of \$20,000 paid to ECC.

The Company has secured two promissory notes with different related parties; ECC and The Emprise Special Opportunities Fund (2017) ("ESOF 2017") are both shareholders of the Company. See Note 7 for details relating to these promissory notes. During fiscal 2020, \$5,250 was secured as a loan from ESOF 2017. See Note 7 for details relating to the loan payable.

DUCKHORN VENTURES LTD.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited – Prepared by Management)

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6. INVESTMENT IN ENOSI**ENOSI**

Pursuant to an agreement dated August 30, 2019, the Company loaned \$200,000, receivable by promissory note to Enosi in conjunction with the LOI. The principal outstanding under this promissory note bore interest at the simple rate of 10% per annum. On January 13, 2020, the Company and Enosi entered into an agreement to restructure their proposed transaction (the “Settlement Agreement”), resulting in the Company acquiring an equity interest in Enosi. Pursuant to the Settlement Agreement, Enosi issued 825,000 common shares in its capital to the Company in full satisfaction of all obligations owing by Enosi to the Company. Enosi is a private biotechnology company incorporated under the laws of the province of British Columbia that is focused on translating novel technologies into valuable therapeutics in the treatment of cancer and autoimmune disease.

7. PROMISSORY NOTES PAYABLE AND LOAN PAYABLE**ECC**

Pursuant to an agreement dated March 25, 2019, the Company purchased 90,000 common shares (subsequently split 2:1 resulting in 180,000 common shares) of PUMP from ECC for an aggregate price of \$21,150, payable by promissory note. The principal outstanding under this promissory note bears interest at the simple rate of 10% per annum. The entire unpaid principal and any interest is fully and immediately payable upon demand of ECC. The Company may repay the principal and all accrued interest thereon at any time and from time to time without notice or penalty. Interest expense for the period was \$1,055. As at June 30, 2020, a total of \$2,683 has been recorded as interest payable.

ESOF 2017

Pursuant to an agreement dated August 30, 2019, the Company received \$200,000, payable by promissory note. The principal outstanding under this promissory note bears interest at the simple rate of 12% per annum. The entire unpaid principal and any interest is fully and immediately payable upon demand of ESOF 2017. The Company may repay the principal and all accrued interest thereon at any time and from time to time without notice or penalty. In the current quarter, ESOF 2017 has advanced a further \$5,250 in the form of a line of credit with a simple rate of 12% per annum. Interest expense for the period was \$12,125 and has been recorded as interest payable. As at June 30, 2020, a total of \$20,212 has been recorded as interest payable.

DUCKHORN VENTURES LTD.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2020

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8. SHARE CAPITAL**(a) Authorized**

Unlimited number of common and preferred shares without par value.

(b) Issued and outstanding

As at June 30, 2020, the Company had 24,930,500 common shares issued and outstanding.

On March 25, 2019, the Company received \$25,000 through the issuance of 5,000,000 common shares at \$0.005 per share.

On May 29, 2019, ECC completed a strategic reorganization of its assets in which it spun out certain assets into Duckhorn. The transaction was carried out by way of an Arrangement pursuant to the *Business Corporations Act* (British Columbia). Under the terms of the Arrangement, shareholders of ECC received one common share of the Company for every common share of ECC they held as of April 17, 2019; as a result, 19,930,500 common shares of the Company were issued. The value of each share is deemed to be \$0.005 for a total of \$99,653.

	Number of Shares	Amount \$
Balance, (incorporation) March 25, 2019	-	-
March 25, 2019 – share issuance	5,000,000	25,000
May 29, 2019 – plan of arrangement	19,930,500	99,653
Balance, December 31, 2019 and June 30, 2020	24,930,500	124,653

(c) Stock options

On March 25, 2019, the Company adopted a stock option plan (the “Stock Option Plan”) whereby it can grant incentive stock options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price (if any) of the Company’s common shares.

The Stock Option Plan provides that the number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by such an individual may

DUCKHORN VENTURES LTD.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2020

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8. SHARE CAPITAL (continued)**(c) Stock options (continued)**

not exceed 5% of the issued common shares, if the individual is a director or officer, or 2% of the issued common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

On May 29, 2019, the Company granted a total of 2,490,000 incentive stock options to officers and a consultant to the Company, which vested immediately, having an exercise price of \$0.02 per share and expire in five years.

Share purchase option transactions are summarized as follows:

	Number	Options Weighted Average Exercise Price
Balance, (incorporation) March 25, 2019	-	\$ -
Grants	2,490,000	0.02
Outstanding and exercisable, December 31, 2019 and June 30, 2020	2,490,000	\$ 0.02

The fair value of the options granted was determined to be \$6,692 using the Black-Scholes option pricing model under the following assumptions: risk-free interest rate – 1.36%; expected life – 5 years; expected volatility – 100% and expected dividends – nil.

As at June 30, 2020, stock options outstanding and exercisable are as follows:

Grant Date	Number of options Outstanding and Exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
May 29, 2019	2,490,000	\$0.02	May 29, 2024	3.92
Total	2,490,000	\$0.02		3.92

DUCKHORN VENTURES LTD.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited – Prepared by Management)

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9. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the period ended June 30, 2020 was based on the loss attributable to common shareholders of \$87,098 and the weighted average number of common shares outstanding of 24,930,500.

10. MANAGEMENT OF CAPITAL

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at June 30, 2020, the Company is not subject to any externally imposed capital requirements.

11. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Market Risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at June 30, 2020, the Company is not exposed to currency risk.

DUCKHORN VENTURES LTD.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS (continued)**(ii) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

(iii) Price rate risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Management closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Given the Company's limited market exposure at this time it has assessed there to be a low level of price rate risk.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At June 30, 2020, the Company has limited sources of revenue and has a cash balance of \$1,279 to settle current liabilities of \$413,613. As such, the Company has insufficient cash to fund corporate overhead costs and the repayment of the Company's debt obligations for the next year.

Until such time as the Company's investments increase in value or begin generating significant dividend income, the Company will remain dependent upon the financial support of its shareholders and debt holders or the sale of investments. If the Company is unable to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

Additionally, the Company likely has insufficient funds from which to finance any identified business acquisition and as such will require additional financing to accomplish the Company's long-term strategic objectives. Future funding may be obtained by means of issuing share capital and/or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

DUCKHORN VENTURES LTD.

Notes to the Condensed Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited – Prepared by Management)

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11. FINANCIAL INSTRUMENTS (continued)

Consequently, the Company is exposed to liquidity risk as at June 30, 2020.

Fair Value Risk

When participating in investment activities, the Company may incur losses if it is unable to resell the securities it has purchased or if it is forced to liquidate its holdings at less than their respective carrying values. The Company is also exposed to fair value risk as a result of its trading activities in publicly traded securities. All of the Company's investments are carried on a FVTPL basis and are recorded at their fair value. As such, changes in fair value affect earnings as they occur.

The fair value of cash, accounts receivable, promissory note receivable, accounts payable and accrued liabilities, and promissory notes payable at June 30, 2020 approximate their carrying values due to their short term to maturity.

As of June 30, 2020, the determination of estimated fair value of the Company's investments was as follows:

	June 30, 2020	Estimated fair values		
		Level 1	Level 2	Level 3
	\$	\$	\$	\$
FVTPL investments	5,400	5,400	-	-
	5,400	5,400	-	-