Consolidated HCI Holdings Corporation
Consolidated Financial Statements
September 30, 2020 and September 30, 2019
(in thousands of Canadian dollars)

MANAGEMENT'S RESPONSIBILITIES

The consolidated financial statements of Consolidated HCI Holdings Corporation (the "Company") have been prepared by management of the Company in accordance with International Financial Reporting Standards.

Management maintains appropriate controls to provide reasonable assurance that the assets of the Company, and its subsidiaries are safeguarded and that financial information is reliable and accurate. Where necessary, management uses judgment to make estimates based on informed knowledge of the facts.

The Board of Directors bears ultimate responsibility for the consolidated financial statements. An Audit Committee composed of independent directors has reviewed in detail these consolidated financial statements with management and also with the external auditor appointed by the shareholders. The Audit Committee has recommended its approval to the Board. The Board of Directors has approved these consolidated financial statements.

All other financial and operating data included in the annual report are consistent with information contained in the consolidated financial statements and have been reviewed by the Board of Directors.

(Signed)

Bradley Morris

Chief Executive Officer

SRCO Professional Corporation
Chartered Professional Accountants
Licensed Public Accountants
Park Place Corporate Centre
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Consolidated HCI Holdings Corporation

Opinion

We have audited the consolidated financial statements of Consolidated HCI Holdings Corporation (the "Entity"), which comprise the consolidated statement of financial position as at September 30, 2020, the consolidated statements of, loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at September 30, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Entity has experienced losses and negative operating cash flows for the year ended September 30, 2020. These events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

(continues)

Independent Auditor's Report to the Shareholders of Consolidated HCI Holdings Corporation *(continued)*

Other Matter – Comparative Information

The consolidated financial statements for the year ended September 30, 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on January 22, 2020.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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Independent Auditor's Report to the Shareholders of Consolidated HCI Holdings Corporation *(continued)*

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(continues)

Independent Auditor's Report to the Shareholders of Consolidated HCI Holdings Corporation *(continued)*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the consolidated financial statements.

  We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Sohail Raza.

/s/ SRCO Professional Corporation

CHARTERED PROFESSIONAL ACCOUNTANTS
Authorized to practice public accounting by the
Chartered Professional Accountants of Ontario

Richmond Hill, Canada
January 28, 2021

Consolidated HCI Holdings Corporation
Consolidated Statements of Financial Positions
As at September 30, 2020 and 2019
(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note		September 30, 2020		September 30, 2019
ASSETS					
Current assets					
Cash		$	277	$	61
Income taxes recoverable	6		2		118
Other			33		43
		$	312	$	222
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	63	$	49
Notes payable	5		355		-
			418		49
SHAREHOLDERS' (DEFICIENCY) EQUITY					
Capital stock	7		35,890		35,890
Deficit			(35,996)		(35,717)
			(106)		173
		$	312	$	222

Going concern (Note 2)
Subsequent events (Note 13)

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

Approved by the Board of Directors:

(Signed) “Bradley Morris”

Director

(Signed) “Mike Dai”

Director

Consolidated HCI Holdings Corporation
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended September 30, 2020 and 2019
(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note		September 30, 2020		September 30, 2019
Income (expenses)					
General and administrative	10	$	(259)	$	(478)
Interest and other income			1		5
Recovery of prior year land cost of sale			-		29
Impairment of land investment	11		(23)		-
Loss before income taxes			(281)		(444)
Recovery of income taxes	6		2		118
Net loss for the year		$	(279)	$	(326)
Net loss per share – basic and diluted	7	$	(0.014)	$	(0.016)
Weighted average number of shares outstanding – basic and diluted			20,575,866		20,575,866

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

Consolidated HCI Holdings Corporation
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the Years Ended September 30, 2020 and 2019
(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Note	Number of Shares		Capital stock		Deficit		Total
Balance – October 1, 2018		20,575,866	$	35,890	$	(34,774)	$	1,116
Net loss for the year		-		-		(326)		(326)
Dividends paid	12	-		-		(617)		(617)
Balance – October 1, 2019		20,575,866	$	35,890	$	(35,717)	$	173
Net loss for the period		-		-		(279)		(279)
Balance – September 30, 2020		20,575,866	$	35,890	$	(35,996)	$	(106)

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

Consolidated HCI Holdings Corporation
Consolidated Statements of Cash Flows
For the Years Ended September 30, 2020 and 2019
(Expressed in thousands of Canadian dollars, except share and per share amounts)

	September 30, 2020	September 30, 2019
Operating activities		
Net loss for the year	$ (279)	$ (326)
Changes in non-cash working capital items:		
Income taxes recoverable	116	140
Other	10	(20)
Accounts payable and accrued liabilities	14	9
Interest accrued in notes payable	10	-
Cash flow used in operating activities	(129)	(197)
Financing activities		
Dividends paid	-	(617)
Notes payable	345	-
Cash flow provided by (used in) financing activities	345	(617)
Increase (decrease) in cash	216	(814)
Cash, beginning of year	61	875
Cash, end of year	$ 277	$ 61
Cash paid during the year for interest	$ -	$ -
Cash recovered during the year for income taxes	$ (119)	$ (258)

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

1. Description of Business

Consolidated HCI Holdings Corporation (the "Company") is an Ontario-based publicly traded company which, effective September 21, 2017, commenced trading on the NEX under the trading symbol CXA.H. The NEX is a separate board of the TSX Venture Exchange ("TSX-V") for issuers previously listed on the Toronto Stock Exchange or TSX-V but which no longer maintain compliance with the ongoing financial listing standards of those markets.

Management and the Board of Directors are considering options as to the Company's future given that as of June 30, 2017, as previously reported, the Company had discontinued and divested substantially all of its operations, and had ceased to be actively engaged in any ongoing business.

The address of the Company's registered office is 40 King Street West, Suite 2100, Toronto, Ontario.

The Board of Directors approved the consolidated financial statements on January 28, 2021.

2. Basis of Presentation and Statement of Compliance

Going Concern

These consolidated financial statements have been prepared on the basis of accounting principles that are applicable to a going concern. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment, of material uncertainties related to events or conditions, such as those described below and herein, that may cast significant doubt upon the Company's ability to continue as a going concern.

During the year ended September 30, 2020, the Company has incurred net loss of $279 (September 30, 2019 - $326) and as at September 30, 2020, the Company has an accumulated deficit of $35,996 (September 30, 2019 - $35,717) and net deficiency of assets of $106. These circumstances create a significant doubt about the Company's ability to meet its obligations as they become due and, accordingly, the appropriateness of the use of the going concern assumption. The Company no longer has any source of revenue and continues to incur general and administrative expenses.

Management and the Board of Directors continue to consider options as to the Company's future. Whether and when the Company can successfully source capital and/or financing and successfully develop a revenue-producing profitable business with positive cash flows is uncertain. Accordingly, material uncertainty exists whether the Company can discharge its obligations, including its accounts payable and accrued liabilities and notes payable, within the next 12 months. This material uncertainty casts significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not reflect adjustments to carrying values and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments may be material.

2. Basis of Presentation and Statement of Compliance (continued)

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board applicable to the preparation of consolidated annual financial statements. The policies applied in these consolidated financial statements are based on IFRS policies effective as of September 30, 2020.

Basis of measurement and presentation

These consolidated financial statements have been prepared under the historical cost basis.

Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. Accordingly, these consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

Basis of consolidation

These statements consolidate the accounts of the Company and its wholly owned subsidiaries 968907 Ontario Inc. (not active) and Gasmuz Construction Inc. (not active). Control is achieved when we have the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, are exposed to, or have rights to, variable returns from our involvement with the entity and have the ability to affect those returns through our power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. Profit and loss or other comprehensive income (loss) of subsidiaries acquired during the period are recognized from the date of acquisition or effective date of disposal as applicable. Significant intercompany accounts and transactions have been eliminated on consolidation.

The Company has the following subsidiaries:

Name of Entity	% Ownership	Accounting Method
Gasmuz Construction Inc.	100	Consolidation
968907 Ontario Inc.	100	Consolidation

When the proportion of the equity (deficiency) held by non-controlling interest changes, the Company adjusts the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interest in the subsidiary. The Company recognizes directly in equity (deficiency) any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received and attribute it to the members of the Company.

2. Basis of Presentation and Statement of Compliance (continued)

Critical accounting judgements and key sources of estimate uncertainty

The preparation of these consolidated financial statements, in conformity with IFRS, requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, reported amounts of revenues and expenses during the reporting period and the related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues and expenses and makes revisions as determined necessary. Revisions are recognized in the period in which the estimates are revised. Management uses historical experience and various other factors it believes to be reasonable under the circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. Estimates include:

i) Going concern

The assumption that the Company will be able to continue as a going concern is subject to estimates and judgement by management including the Company's short and long-term operating budget, expected profitability, investing and financing activities, and management's strategic planning.

ii) Covid-19 Pandemic

On March 11, 2020, the World Health Organization declared the ongoing COVID-19 outbreak as a global health emergency. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus, including the closure of certain non-essential businesses.

During the year ended September 30, 2020, the pandemic did not have a material impact on the Company's operations. The Company has taken steps to minimize the potential impact of the pandemic including safety measures with respect to personal protective equipment, the reduction in travel and the implementation of a virtual office including regular video conference meetings. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position and operating results in the future. In addition, it is possible that estimates in the Company's consolidated financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

3. Summary of Significant Accounting Policies

Financial Instruments

Financial Instruments

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost.

Amortized cost - This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely principal and interest ("SPPI") criterion. Financial asset classified in this category are measured at amortized cost using the effective interest method.

Fair value through profit or loss - This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in profit or loss.

Financial assets at fair value through other comprehensive income - Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through other comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at fair value through other comprehensive income are initially measured at fair value and changes therein are recognized in other comprehensive income.

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company's financial assets and liabilities are classified as follows:

Asset or Liability	Classification
Cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Notes payable	Amortized cost

3. Summary of Significant Accounting Policies (continued)

Financial assets are classified and measured based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are recognized in the consolidated statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial instruments are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets and liabilities measured at amortized cost are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses. Financial assets are written off when there is no reasonable expectation of recovery.

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fair value
Fair value estimates are made at the consolidated statements of financial position date based on relevant market information and other information about financial instruments. Financial assets and financial liabilities measured at fair value in the statements of financial position are grouped into a fair value evaluation hierarchy. This hierarchy combines financial assets and financial liabilities into three levels according to the significance of the inputs used in the fair value evaluation of the financial assets and financial liabilities. The fair value levels of the hierarchy are as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets and liabilities at the financial reporting date;

Level 2 Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 Inputs for the assets or liabilities that are not based on observable market data.

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement. The Company did not have any financial instruments carried at fair value.

3. Summary of Significant Accounting Policies (continued)

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Interest Income

Interest income is recognized using the effective interest rate method.

Income Taxes

Income tax expense comprises current and deferred taxes.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4. Accounting Standards

Accounting standards effective in the current year

The Company's adoption of the following new standards and amendments to existing standards, which were effective in the current year, had no material impact on its consolidated financial statements.

Leases

Effective October 1, 2019, the Company adopted IFRS 16, Leases ("IFRS 16"), which supersedes previous accounting standards for leases, including IAS 17 – Leases and IFRIC 4 – Determining whether an arrangement contains a lease. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of a 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 accounted for real estate operating leases with a remaining lease term, as of October 1, 2019, of less than 12 months as short-term leases. The Company primarily leases office space for office use. For all lease contracts entered into, or changed, on or after October 1, 2019, the Company will recognize a right-of-use asset and a lease liability at the lease commencement date, if any.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentive received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. There are no dismantling, removal and restoration costs included in the cost of the right-of-use asset as management has not incurred an obligation for those costs.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method.

4. Accounting Standards (continued)

Transition

The Company applied IFRS 16 with a date of initial application of October 1, 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

The Company previously classified all its lease for office space as operating expense under IAS 17. The Company has elected not to recognize right-of-use asset and lease liability for short-term lease in which the lease term ends within 12 months of the date of initial application. The lease payment associated with this lease is recognized as an expense on a straight-line basis over the lease term. As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating expense, there is no impact to opening consolidated statement of financial position as at October 1, 2019.

The adoption of IFRS 16 has not had an effect on the Company's accounting policies related to the lease. There was no material impact of transition to IFRS 16 on the Company's consolidated statement of financial position at October 1, 2019.

Standards and interpretations issued, but not yet effective

Certain new standards, interpretations and amendments to existing standards were issued by the IASB or International Financial Reporting Issues Committee that are not yet effective for the year ended September 30, 2020, and have not been applied in preparing these consolidated financial statements. Management of the Company is currently assessing the potential impacts of these standards.

Amendments to IAS 1 and IAS 8: Definition of Material

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across International Financial Reporting Standards and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The Company does not expect these amendments to have a significant impact on its consolidated financial statements.

(Expressed in thousands of Canadian dollars, except share and per share amounts)

4. Accounting Standards (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Deferral of Effective Date

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments:

- specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the Company has a right to defer settlement of a liability by at least twelve months.
- provide that management's expectations are not a relevant consideration as to whether the Company will exercise its rights to defer settlement of a liability; and
- clarify when a liability is considered settled.

On July 15, 2020, the IASB issued a deferral of the effective date for the new guidance by one year to annual reporting periods beginning on or after January 1, 2023 and is to be applied retrospectively. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

5. Note Payable

On January 14, 2020, the Company completed the private placement of unsecured promissory notes for gross proceeds of $345. The purpose of this borrowing was to provide the Company with sufficient working capital for general corporate purposes while management and the Board of Directors decide on the future direction of the Company. The promissory notes bear interest at the annual rate of 4%, with the principal amount and all accrued and unpaid interest being due and payable on January 14, 2021. The notes are repayable without penalty at any time prior to maturity. On January 13, 2021, the terms of the notes were amended to extend the maturity date to April 14, 2021. All other terms and conditions remain in full force and effect.

6. Income Taxes

The income tax recovery for the year ended September 30, 2020 is $2 (September 30, 2019 - $118). The income tax recovery was computed by applying the average statutory Canadian federal and provincial income tax rates to losses before the income tax recoveries.

	September 30, 2020	September 30, 2019
	$	$
Net loss for the year	(281)	(444)
Expected income tax recovery at 26.5% (2019 – 26.5%)	74	118
Tax effect of temporary differences	(6)	-
Benefits of tax losses not recognized	(66)	-
Income tax recovery	2	118

6. Income Taxes (continued)

The Company has $251 of losses available for carry forward for which an income tax benefit has not been recognized because it is not probable that future taxable income will be available to allow the deferred tax asset to be recovered. These non-capital losses will commence to expire in 2040.

7. Capital Stock

Authorized
Unlimited Class B, voting shares, without par value

Details of issued capital stock, unchanged since October 1, 2017, are as follows:

	Number of shares	Amount
Balance, September 30, 2020 and September 30, 2019	**20,575,866**	**$35,890**

8. Financial Instruments and Risk Management

Credit Risk

The Company's maximum exposure to credit risk is the outstanding balance of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due and remain solvent. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. To date, the Company has relied on external financing to fund its operations. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that financing will be on terms advantageous to the Company.

Fair Values

The fair values of cash, accounts payable and accrued liabilities and notes payable approximate their carrying values due to their short-term maturities.

Interest Rate Risk

The Company is not exposed to significant interest rate risk as the interest on the unsecured promissory note is a fixed rate.

8. Financial Instruments and Risk Management (continued)

Capital Risk Management

The Company's objectives when managing its capital are:

- To maintain a flexible capital structure that optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders;
- To maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;
- To safeguard the Company's ability to obtain financing should the need arise; and
- To maintain financial flexibility in order to have access to capital in the event of future capital acquisitions.

The Company manages its capital structure and makes adjustments to it in accordance with the objectives stated above, and in response to changes in economic conditions and the risk characteristics of the underlying assets. The Company is not subject to externally imposed capital requirements.

9. Related Party Transactions

Parties are 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 a related party transaction when there is a transfer of resources or obligations between related parties.

The following is a summary of the Company's related party relationships that existed for the year ended September 30, 2020:

- the Company is managed by two shareholders who are also officers and directors; and
- a shareholder who is also a director is associated with a law firm that provides legal services to the Company.

Related party transactions are recorded at the amount of consideration agreed to by the parties.

Transactions with related parties during the year were as follows:

		2020		2019
Management fee expense	$	**93**	$	125
Legal fees		**6**		-
Rent expense		**4**		-
	$	**103**	$	125

Included in accounts payable was $6 (2019 - $nil) of management fees payable to a related party.

(Expressed in thousands of Canadian dollars, except share and per share amounts)

9. Related Party Transactions (continued)

Key Management Compensation

Key management includes the current and former Chief Executive Officer, the Chief Financial Officer, and Directors and they have been compensated as follows:

		2020		2019
Consulting fees	$	**-**	$	139
Management fees		**93**		125
Directors' fees		**-**		40
	$	**93**	$	304

10. General and Administrative Expenses by Nature

Expenses incurred by nature are as follows:

		2020		2019
Salaries, employee benefits, consulting fees and directors' fees	$	**-**	$	178
Management fees		**93**		125
Professional fees		**87**		61
Other		**79**		114
	$	**259**	$	478

11. Impairment of land investment

The Company held an option to acquire land in the form of one 0.2 acre frozen lot awaiting adjacent development. As at September 30, 2020, management does not intend to exercise this option, and has accordingly impaired this option during the year to $nil.

12. Dividends

On February 11, 2019, the Company declared a special dividend of $0.03 per Class B share payable to shareholders of record at the close of business on February 25, 2019. The dividend, totaling $617, was paid on March 5, 2019.

13. Subsequent events

In October 2020, the Company granted stock options for a total of 2,057,586 class B shares to certain directors and officers of the Company. These stock options are exercisable at $0.13 per stock option and will expire on October 22, 2025. These stock options vested and became exercisable immediately upon the grant date.

On January 2021, the holders of the promissory notes (note 5) extended the maturity date from January 14, 2021 to April 14, 2021.