Cultivar Holdings Ltd.

Condensed interim consolidated financial statements

For the three and six months ended July 31, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

CULTIVAR HOLDINGS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JULY 31, 2019 AND 2018

(Unaudited - Amounts expressed in Canadian Dollars)

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Cultivar Holdings Ltd.
Condensed Interim Statements of Financial Position as at July 31, 2019 and January 31, 2019
(Unaudited – expressed in Canadian dollars)

		July 31, 2019		January 31, 2019
ASSETS				
CURRENT				
Cash	$	1,717,105	$	1,558,949
Loans and advances (Note 5)		99,526		68,526
Deferred costs (Note 5)		107,599		61,474
Prepaid expenses (Note 6)		34,241		26,672
		1,958,471		1,715,621
Property and equipment (Note 7)		11,300		14,106
Right-of-use asset (Note 15)		18,288		-
TOTAL ASSETS	$	1,988,059	$	1,729,727
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
CURRENT				
Accrued liabilities (Note 10)	$	25,596	$	47,113
Lease obligation (Note 16)		11,921		-
		37,517		47,113
Lease obligation (Note 16)		10,476		-
TOTAL LIABILITIES		47,993		
SHAREHOLDERS' EQUITY				
Share Capital		2,121,220		2,041,220
Share subscriptions (Note 14)		478,944		-
Share-based payment reserve		9,084		5,535
Accumulated deficit		(611,970)		(320,423)
		1,997,278	$	1,726,332
Non-controlling interest		(57,212)		(43,718)
TOTAL SHAREHOLDERS' EQUITY		1,940,066		1,682,614
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,988,059	$	1,729,727

Organization and nature of operations (Note 1)
Basis of presentation and going concern (Note 2)
Commitment and contingencies (Note 11)
Subsequent events (Note 18)

Approved on behalf of the Board of Directors:

(signed) "Sheldon Kales"
Sheldon Kales, CEO and Director

(signed) "Rahul Kushwah
Rahul Kushwah, Director

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

Cultivar Holdings Ltd.
Condensed Consolidated Statement of Loss and Comprehensive Loss
for the periods ended:
(Unaudited- expressed in Canadian dollars)

	For the three months ended July 31, 2019	For the three months ended July 31, 2018	For the six months ended July 31, 2019	For the Period from December 6, 2017 to July 31, 2018
Expenses:				
Accretion on lease obligation (Note 16)	$ 1,003	$ -	$ 2,159	$ -
Administration and general	5,134	6,507	11,380	12,162
Amortization of property and equipment (Note 7)	1,403	1,052	2,806	1,267
Amortization of right to use asset (Note 15)	3,048	-	6,096	-
Consulting fees	25,000	-	25,000	-
Leasing and rent costs (Note 10)	4,500	5,250	9,000	20,115
Legal fees	4,689	4,837	13,100	35,050
Management fees (Note 10)	97,000	8,000	126,085	8,000
Patent and trademark expenses	-	-	250	6,288
Research and development	-	-	73,733	-
Samples and testing	-	-	260	-
Share based compensation (Note 8)	1,987	-	3,549	-
Taxes and related	-	-	-	2,650
Travel, entertainment and related	20,933	13,785	28,623	29,357
Vehicle use expenses (Note 10)	1,500	1,750	3,000	1,750
Loss and comprehensive loss	$ (166,197)	$ (41,181)	$ (305,041)	$ (116,639)
Loss and comprehensive loss attributable to:				
Shareholders	$ (160,252)	$ (30,085)	$ (291,547)	$ (79,404)
Non-controlling interest	$ (5,945)	$ (11,096)	$ (13,494)	$ (37,235)
Loss per share-Basic and Diluted	$ (0.002)	$ (0.001)	$ (0.003)	$ (0.004)
Weighted average number of shares outstanding-Basic and Diluted	94,077,500	39,145,000	93,684,130	30,790,567

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

Cultivar Holdings Ltd.
Condensed Consolidated Statement of Changes in Shareholders' Equity
for the periods ended July 31, 2019 and July 31, 2018
(Unaudited-expressed in Canadian dollars)

	Number of common shares outstanding	**Share capital**	**Share subscriptions**	**Share-based payment reserve**	**Non-Controlling Interest**	**Deficit**	**Total**
Balance, December 6, 2017	-	$ -	$ -	$ -	$ -	$ -	$ -
Seed Shares issued for cash	30,000,000	30	-	-	-	-	30
Acquisition of CannIP Holdings Inc.	29,800,000	30	-	-	-	-	30
Private placements	8,870,000	443,500	-	-	-	-	443,500
Shares issued as finders' fees	275,000	-	-	-	-	-	-
Net loss for the period	-	-	-	-	(37,235)	(79,404)	(116,639)
Balance as at July 31, 2018	68,945,000	$ 443,560	$ -	$ -	$ (37,235)	$ (79,404)	$ 326,921
Balance as of January 31, 2019	93,277,500	$ 2,041,220	$ -	$ 5,535	$ (43,718)	$ (320,423)	$ 1,682,614
Share subscriptions	-	-	478,944	-	-	-	478,944
Shares issued for services	800,000	80,000	-	-	-	-	80,000
Share-based compensation	-	-	-	3,549	-	-	3,549
Net loss for the period	-	-	-	-	(13,494)	(291,547)	(305,041)
Balance as at July 31, 2019	94,077,500	$ 2,121,220	$ 478,944	$ 9,084	$ (57,212)	$ (611,970)	$ 1,940,066

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

Cultivar Holdings Ltd.
Consolidated Statement of Cash Flows
for the periods ended:
(Unaudited-expressed in Canadian dollars)

		For the six months ended July 31, 2019		For the period from December 6, 2017 to July 31, 2018
OPERATING ACTIVITIES				
Net loss	$	(305,041)	$	(116,639)
Non-cash items included in net loss and other adjustments:				
Accretion on lease obligation		2,159		-
Amortization of property and equipment		2,806		1,267
Amortization on rights-of-use asset		6,096		-
Share-based compensation		3,549		-
Shares issued for services		80,000		-
Changes in non-cash working capital:				
Loans and advances		(31,000)		-
Prepaid expenses		(7,569)		(36,255)
Accrued liabilities		(21,517)		477
CASH USED IN OPERATING ACTIVITIES		**(270,517)**		**(151,150)**
INVESTING ACTIVITIES				
Cash acquired from acquisition		-		30
Lease obligation expense		(4,146)		-
Purchase of property and equipment		-		(18,501)
CASH USED IN INVESTING ACTIVITIES		**(4,146)**		**(18,471)**
FINANCING ACTIVITIES				
Issuance of share capital for cash		-		443,530
Share subscriptions received		478,944		-
Deferred financing costs		(46,125)		-
CASH PROVIDED BY FINANCING ACTIVITIES		**432,819**		**443,530**
NET CHANGE IN CASH DURING THE PERIOD		**158,156**		**273,909**
CASH, BEGINNING OF PERIOD		1,558,949		-
CASH, END OF PERIOD	$	**1,717,105**	$	**273,909**
Cash paid for interest and income taxes	$	**-**	$	-

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

1. Organization and Nature of Operations

Cultivar Holdings Ltd. (the "Company" or "Cultivar"), is a holding company whose subsidiaries are in the early stage marijuana services and products, development of cosmetic and edible product lines, as well as investment in technology to detect if an individual is under the influence of cannabis and to predict substance addiction.

The Company was incorporated under the laws of the province of Ontario on December 6, 2017.

On February 15, 2018, the Company acquired a 49% interest in a newly incorporated Cultivar JA Limited, ("CJA") a corporation incorporated under the laws of Jamaica. The remaining 51% interest is owned by local Jamaican business partners. CJA is currently applying for a license to grow high quality cannabis in Jamaica.

On July 16, 2018 the Company acquired a 100% interest in a newly incorporated CannIP Holdings Inc. (formerly 2639745 Ontario Inc.) ("Cann") a corporation incorporated under the laws of the province of Ontario. Cann is engaged in the development of cosmetic and edible product lines, as well as investment in technology to detect an individual influence of cannabis. The Company did a one for one share exchange with Cann and issued 29,800,000 common shares to the shareholders of Cann.

The Company's corporate head office is located at 77 King Street W, Suite 3000, Toronto, Ontario, Canada, M5K 1G8.

The Board of Directors of the Company authorized these financial statements for issuance on September 30, 2019.

2. Basis of Presentation and Going Concern

Basis of Preparation

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for financial instruments recorded at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company and its subsidiaries is the Canadian dollar, which is also the Company's reporting currency.

Statement of Compliance

These condensed interim consolidated financial statements (the "Financial Statements") are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard 34, Interim Financial Reporting issued by the International Accounting Standards Board ("IASB"), using accounting policies of International Financial Reporting Standards ("IFRS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the period ended January 31, 2019, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). The unaudited condensed interim consolidated financial statements are based on accounting policies as described in the January 31, 2019 annual consolidated financial statements except that, effective February 1, 2019, the Company implemented IFRS 16 'Leases' (see notes 15 and 16).

Basis of Consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries CJA and Cann from the date of acquisition. The Company has a 49% interest in CJA, and 100% interest in Cann. All inter-company transactions and balances have been eliminated on consolidation.

2. Basis of Presentation and Going Concern (Cont'd)

Going Concern Assumption

These consolidated financial statements have been prepared using IFRS on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business, for the next fiscal year. At July 31, 2019, the Company had cash of $1,717,105, working capital of $1,920,954 and an accumulated deficit of $611,970. The continuing operations of the Company are dependent on funding provided by equity investors. The Company intends to finance its future requirements through a combination of equity and/or debt issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms.

This uncertainty may cast significant doubt about the ability of the Company to continue as a going concern. These consolidated financial statements do not include any adjustments to the carrying value or presentation of assets or liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, shareholders' equity, and the disclosure of contingent assets and liabilities, as at the date of the financial statements, and expenses for the years reported.

Critical Judgements

The preparation of these consolidated financial statements requires management to make judgements regarding the going concern of the Company (discussed above), as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries has been determined to be the Canadian dollar.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the consolidated financial statements include:

Share-based payments

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

2. Basis of Presentation and Going Concern (Cont'd)

Significant Accounting Judgments and Estimates (Cont'd)

Deferred tax assets & liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Useful life of property and equipment

Property and equipment is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past experience and takes into consideration the anticipated physical life of the asset, the potential for technological obsolescence, and regulations.

Approval of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on September 30, 2019.

3. Significant Accounting Policies

The accounting policies set out in the consolidated financial statements at January 31, 2019, have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

New standards adopted

(a) Leases and right-of-use assets

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

At February 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

3. Significant Accounting Policies (Cont'd)

New standards adopted (Cont'd)

(a) Leases and right-of-use assets (Cont'd)

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortized over the remaining (revised) lease term. The Company adopted this standard and the impact on the Company's unaudited condensed interim consolidated financial statements are disclosed in notes 15 and 16.

(b) Uncertainty over Income Tax Treatments: On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Company adopted this standard at February 1, 2019 and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

Other accounting standards and amendments to existing accounting standards that have been issued and have future effective dates are not applicable or are not expected to have a significant impact on the Company's financial statements.

(in Canadian dollars)

4. Acquisition

On February 15, 2018, the Company acquired a 49% interest in a newly incorporated company, CJA, incorporated under the laws of Jamaica. The remaining 51% interest is owned by local business partners. CJA is currently applying for a license to grow high quality cannabis in Jamaica. No consideration was given for the acquisition.

On July 16, 2018 the Company acquired a 100% interest in a newly incorporated company Cann, incorporated under the laws of the province of Ontario. Cann is engaged in the development of a CBD product portfolio, as well as artificial intelligence powered technology to detect cannabis impairment. The Company did a one for one share exchange with Cann and issued 29,800,000 common shares to the shareholders of Cann, valued at $30. The net assets acquired on the acquisition were determined to be valued at $30, resulting in no gain or loss on the transaction.

5. Letter of Intent

On December 12, 2018, the Company entered into a non-binding letter of intent with Admiral Bay Resources Inc. (“Admiral”) with respect to a reverse take-over transaction which would ultimately result in the Company's common shares being listed on the Canadian Securities Exchange. As of July 31, 2019, the Company advanced $99,526 (January 31, 2019 $68,526) to Admiral to repay its loans and part of its payables and incurred $107,599 as legal and finders’ fees which is classified as deferred costs to be expensed when this transaction is completed (January 31, 2019 - $61,474).

6. Prepaid Expenses

As of July 31, 2019, a sum of $34,241 (USD $26,043) is unexpended by CJA, which was advanced to its director for future expenses, and classified as prepaid expenses in the consolidated statement of financial position (January 31, 2019: $26,672 (USD $20,292)).

7. Property and Equipment

	Equipment	Leasehold Improvement	Total
Cost			
Balance as at December 6, 2017	$ -	$ -	$ -
Additions	8,585	9,916	18,501
Balance as at January 31, 2019	**$ 8,585**	**$ 9,916**	**$ 18,501**
Additions	-	-	-
Balance as at July 31, 2019	**$ 8,585**	**$ 9,916**	**$ 18,501**
Accumulated Amortization			
Balance as at December 6, 2017	$ -	$ -	$ -
Amortization	2,146	2,249	4,395
Balance as at January 31, 2019	**$ 2,146**	**$ 2,249**	**$ 4,395**
Amortization	**966**	**1,840**	**2,806**
Balance as at July 31, 2019	**$ 3,112**	**$ 4,089**	**$ 7,201**
Net Carrying Amounts			
As at January 31, 2019	**$ 6,439**	**$ 7,667**	**$ 14,106**
As at July 31, 2019	**$ 5,473**	**$ 5,827**	**$ 11,300**

(in Canadian dollars)

8. Stock-Based Compensation

a) In October 2018, the Company granted options to a consultant to acquire a total of 250,000 common shares. These options were issued at an exercise price of $0.10 per share and vested 75,000 immediately, 37,500 at the date of engineering milestone (vested during the period ended July 31, 2019) and balance 137,500 on completion of additional milestones, including 75,000 on model development and 62,500 on project handover, with an expiry term of two years. The fair value of each option used for the purpose of estimating the stock-based compensation is estimated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate		2.26%
Expected dividends		0%
Expected forfeiture rate		0%
Expected volatility		100%
Expected life		2 years
Unvested stock-based compensation expense as of January 31, 2019	$	9,272

During the six-month period ended July 31, 2019, the Company expensed $1,987 relating to the vesting of 37,500 options, resulting in unvested stock-based compensation expense of $7,285 as of July 31, 2019.

b) In November 2018, the Company granted options to a consultant to acquire a total of 100,000 common shares. These options were issued at an exercise price of $0.10 per share and vested 25,000 immediately, and 25,000 each on April 1, 2019, September 1, 2019 and March 1, 2020 with an expiry term of three years. The fair value of each option used for the purpose of estimating the stock-based compensation is estimated using the Black-Scholes option pricing model with the following assumptions:

Risk free rate		2.30%
Expected dividends		0%
Expected forfeiture rate		0%
Expected volatility		100%
Expected life		3 years
Unvested stock-based compensation expense as of January 31, 2019	$	4,686

During the six-month period ended July 31, 2019, the Company expensed $1,562 relating to the vesting of 25,000 options, resulting in unvested stock- based compensation expense of $3,124 as of July 31, 2019.

As of July 31, 2019, there was $10,409 (January 31, 2019: $13,958) of unvested stock-based compensation expense.

No options were issued during the period from incorporation on December 7, 2017 to July 31, 2018, and hence no stock-based compensation was incurred during that period.

Continuity of the Company's options is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 7, 2017	-	$ -
Issued	350,000	$0.10
Outstanding, January 31, 2019 and July 31, 2019	350,000	$0.10

(in Canadian dollars)

8. Stock-Based Compensation (Cont'd)

As at July 31, 2019, the Company had the following share purchase options outstanding and exercisable:

Outstanding	**Exercisable**	**Exercise Price**	**Remaining Life (Years)**	**Expiry Date**
250,000	112,500	$0.10	1.24	October 25, 2020
100,000	50,000	$0.10	2.28	November 8, 2021
350,000	162,500	$0.10	1.54	

9. Capital Stock

The Company is authorized to issue the following shares:

- Unlimited number of common shares

a) Common shares

The holders of common shares are entitled to receive dividends which are declared from time to time and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

At July 31, 2019, the Company has 94,077,500 common shares issued and outstanding.

b) Share issuances

<u>During the period ended July 31, 2019:</u>

- The Company issued 800,000 common shares at $0.10 for services. This includes 550,000 common shares issued to a director valued at $55,000 (Note 10).

<u>During the period ended January 31, 2019:</u>

- The Company issued 30,000,000 common shares, as founders' shares, for $30.
- The Company issued 29,800,000 common shares in a share exchange agreement with Cann, valued at $30 (Note 4).
- The Company issued 24,995,000 common shares at $0.05 per share in private placements and raised $1,249,750. The Company issued 275,000 common shares as finders shares.
- The Company issued 8,207,500 common shares at $0.10 per share in private placements and raised $820,750.

In conjunction with the above private placements, the Company incurred cash share issuance costs of $29,340.

(in Canadian dollars)

10. Related Party Transactions

Related parties include key management personnel, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Key management of the Company are members of the Board of Directors, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO").

Transactions with key management personnel not disclosed elsewhere in the financial statements include the following:

		Six months ended July 31, 2019		Incorporation on December 6, 2017 to July 31, 2018
Management fees to the CEO	$	48,000	$	8,000
Management fees to a director	$	18,000	$	-
Management fees (issued in shares) to a director	$	55,000	$	-
Management fees to the CFO	$	5,085	$	-
Total Management fees	$	126,085	$	8,000
Vehicle expense to the CEO	$	3,000	$	1,750
Rent to the CEO included in leasing and rent costs	$	9,000	$	5,250
		138,085	$	15,000

		Three months ended July 31, 2019		Three months ended July 31, 2018
Management fees to the CEO	$	24,000	$	8,000
Management fees to a director	$	18,000	$	-
Management fees (issued in shares) to a director	$	55,000	$	-
Total Management fees	$	97,000	$	8,000
Vehicle expense to the CEO	$	1,500	$	1,750
Rent to the CEO included in leasing and rent costs	$	4,500	$	5,250
		103,000	$	15,000

As of July 31, 2019, there was $nil due to any related parties. (January 31, 2019 - $17,113 due to the CEO, included in accrued liabilities)

11. Commitments and Contingencies

Effective July 1, 2018, the Company signed a two-year contract with a corporation owned and controlled by the CEO to pay monthly compensation of $8,000 for CEO services. In addition, the Company is obligated to pay monthly rent for $1,500 and an additional $500 for the use of a personal vehicle.

The Company's operations were governed by governmental laws and regulations regarding environmental protection. Environmental consequences are difficult to both predict and identify, in terms of level, impact or timeline. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations in effect. Restoration costs will be accrued in the financial statements only when they will be reasonably estimated and will be charged to the earnings at the time.

12. Financial Instruments

The fair value of the Company's accrued liabilities and loans and advances approximate carrying value, due to their short-term nature. The Company's cash is measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities.

Financial risk management and objectives

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including interest rate risk, foreign currency risk, and commodity price risk).

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors.

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 is not exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flows primarily from its financing activities.

The Company manages its liquidity needs by carefully monitoring scheduled costs. Liquidity is measured in various time bands, on day to day and week-to-week basis, as well as on long term liquidity needs over 180 day to 360 day look out periods. Funding for long term liquidity needs is based on the ability of the Company to successfully complete private placements.

As at July 31, 2019, the Company had sufficient cash of $1,717,105 to settle current liabilities of $37,517.

Market Risk

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

12. Financial Instruments (Cont'd)

Financial risk management and objectives (Cont'd)

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

(b) Price risk

The Company is not exposed to significant price risk as it does not possess investments in publicly traded securities.

(c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument denominated in a foreign currency will fluctuate because of changes in foreign exchange rates. The Company operates internationally, which gives rise to the risk that cash flows may be adversely impacted by exchange rate fluctuations. Amounts subject to currency risk are prepaid expenses held by a Director in US Dollars in a Jamaican bank account as well as operating expenses incurred by CJA in US Dollars and Jamaican Dollars. As at July 31, 2019, the Company had net financial assets denominated in US Dollars of approximately $34,000 (January 31, 2019 – $26,700). Therefore, a 10% change in value of the US Dollar versus the Canadian Dollar would give rise to a gain or loss of approximately $3,400 (January 31, 2019 – $2,670). The Company has not entered into any foreign exchange contracts to hedge this risk.

13. Capital Management

The Company considers its capital to be shareholders' equity, which is comprised of share capital and deficit, which as at July 31, 2019 totaled $1,940,066. The Company's capital structure is adjusted based on the funds available to the Company such that it may continue to seek new opportunities. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The sources of future funds presently available to the Company are through the sale of equity capital or debt of the Company. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There was no change to the Company's approach in capital management during the period. The Company is not subject to externally imposed capital restrictions.

14. Share Subscriptions

The Company received $478,944 in cash as subscriptions for private placement of 1,915,776 units at $0.25 per unit. The subscriptions were closed on August 12, 2019. (Refer to note 18). Each unit is comprised of one common share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"), with each Warrant exercisable into a common share of the Company at an exercise price of $0.50 per share for a period of 24 months.

(in Canadian dollars)

15. Right-of-use Asset

IFRS 16-right-of-use asset recognition (Note 16)	$24,384
Right -of-use asset at February 1, 2019	**$24,384**
Amortization	(6,096)
Balance, July 31, 2019	**$18,288**

Right-of-use asset consists of lease for warehouse space amortized over 25 months.

Maturity analysis-contractual undiscounted cash flows

As at July 31, 2019	
Less than one year	$14,557
Greater than one year	$ 8,491
Total undiscounted lease obligation	$23,048

16. Lease Liability

At the commencement date of the leases, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 18% which is the Company's incremental borrowing rate. The continuity of the lease liabilities is presented in the table below:

Balance February 1, 2019	**$24,384**
Interest accretion expense	$2,159
Lease payments made during the period	$(4,146)
Balance July 31, 2019	**$22,397**
As at July 31, 2019	
Less than one year	$11,921
Greater than one year	$10,476
Total lease obligation	$22,397

17. Segment Information

The Company is a holding company whose subsidiary in Jamaica is in the early stage marijuana services and products, and another subsidiary in Canada is in the early development of a CBD product portfolio, as well as development of artificial intelligence powered technology to identify if someone is under the influence of cannabis and to predict substance addiction.

There are no revenues during the periods presented. All assets are located in Canada except for property and equipment for $11,300 (January 31, 2019 - $14,106), right of use asset for $18,288 (January 31, 2019 - $Nil) and prepaid expenses for $34,241 (January 31, 2019 - $26,672) which are located in Jamaica.

18. Subsequent Events

a) On August 12, 2019, the Company closed a private placement of 3,296,000 units at $0.25 per unit for a consideration of $824,000, of which $478,944 was received during the period ended July 31, 2019 (Note 14). Each unit is comprised of one common share and one-half of one common share purchase warrant (each whole warrant, a "Warrant"), with each Warrant exercisable into a common share of the Company at an exercise price of $0.50 per share for a period of 24 months. The Company paid finder's fees of $49,320 in cash and issued 66,400 common shares at $0.25 per share.

b) Merger transaction:

Parties to the Transaction: Admiral Bay Resources Inc. (the "Corporation"), a public company existing under the laws of British Columbia, Cultivar Holdings Ltd. ("Company"), and 2693980 Ontario Inc. ("Admiral Sub"), a private company incorporated under the laws of Ontario.

Description of the Transaction: Effective September 23, 2019, the Corporation completed the previously announced acquisition of all of the issued and outstanding shares of the Company by way of a three-cornered amalgamation, pursuant to which the Admiral Sub amalgamated with the Company (the "Transaction"). Pursuant to the Transaction, each registered shareholder of the Company (a "Company Shareholder") received one (1) common share in the capital of the Corporation for each Company common share held (each a "Company Share"), resulting in the issuance of an aggregate of 97,439,900 common shares of the Corporation to Company Shareholders. As part of the Transaction, warrants of Company were replaced with common share purchase warrants of the Corporation. In addition, 500,000 Company shares were set aside to be issued to members of Company's management team upon the final approval of Jamaica's Cannabis Licensing Authority for the licences involved in the cultivation, processing, retail and transportation of cannabis. At the time of closing, the Company also had outstanding warrants exercisable into an aggregate of 1,648,000 Company shares at a price of $0.50 per share until August 12, 2021.

The Corporation also changed its name from "Admiral Bay Resources Inc." to "Cultivar Holdings Inc.". Following completion of the Transaction, the directors and officers of the Corporation are as follows: Sheldon Kales (Director and Chief Executive Officer), Dr. Rahul Kushwah (Director and Chief Operating Officer), Rakesh Malhotra (Chief Financial Officer), Tom Sipos (Director), and Ajit Kumar (Director).