Cultivar Holdings Inc. (formerly Admiral Bay Resources Inc.)
Consolidated Financial Statements

For the years ended
July 31, 2019 and 2018

(Expressed in Canadian Dollars)

CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cultivar Holdings Inc. (formerly Admiral Bay Resources Inc.)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cultivar Holdings Inc. (formerly Admiral Bay Resources Inc.) (the "Company"), which comprise the consolidated statement of financial position as at July 31, 2019 and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' deficiency and the consolidated statement of 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 financial position of the Company as at July 31, 2019, and its financial performance and its 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Other Matter

The financial statements of Cultivar Holdings Inc. (formerly Admiral Bay Resources Inc.) as at, and for the year ended July 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on November 26, 2018.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Information other than the Consolidated Financial Statements and the Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in Management's discussion and analysis report.

Our opinion on the consolidated financial statements does not cover the other information and we do 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. 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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 Company’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 Company’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 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 Company 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 Mickey Goldstein.

Buckley Dodds LLP

Vancouver, British Columbia
December 10, 2019

Buckley Dodds LLP
Chartered Professional Accountants

Cultivar Holdings Inc. (formerly Admiral Bay Resources Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at July 31,	Notes	**2019** **$**	2018 $
Assets			
Current Assets			
Cash		**4,888**	11,018
Sales tax receivable		**1,125**	6,653
Total assets		**6,013**	17,671
Liabilities			
Current Liabilities			
Accounts payable	7	**9,126**	48,431
Accrued liabilities		**10,000**	8,020
Loans payable	6, 7	**99,526**	31,526
Total liabilities		**118,652**	87,977
Shareholders' Deficiency			
Share capital	8	**50,185,484**	50,185,484
Deficit		**(50,298,123)**	(50,255,790)
Total shareholders' deficiency		**(112,639)**	(70,306)
Total liabilities and shareholders' deficiency		**6,013**	17,671

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 11)

APPROVED ON BEHALF OF THE BOARD ON DECEMBER 10, 2019:

Signed *"Sheldon Kales"*
Director

Signed *"Rahul Kushwah"*
Director

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

Cultivar Holdings Inc. (formerly Admiral Bay Resources Inc.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

For the Years Ended July 31,	Notes	**2019** $	2018 $
Expenses			
Consulting fees	7	**6,000**	4,524
Office and miscellaneous		**565**	2,774
Management fees	7	**16,000**	-
Professional fees	7	**14,650**	10,645
Rent	7	**-**	15,500
Transfer agent and filing fees	7	**5,118**	10,958
Total expenses		**(42,333)**	(44,401)
Interest income		**-**	124
Recovery of expenses		**-**	1,592
Loss and comprehensive loss for the year		**(42,333)**	(42,685)
Loss and comprehensive loss per share - basic and diluted		**(0.01)**	(0.07)
Weighted average number of shares outstanding – basic and diluted		**6,514,249**	612,879

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

Cultivar Holdings Inc. (formerly Admiral Bay Resources Inc.)
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

	Share Capital (Note 8)			
	Number of shares	**Amount**	**Deficit**	**Total**
	#	**$**	**$**	**$**
Balance at July 31, 2017	514,249	50,179,484	(50,213,105)	(33,621)
Private placement	6,000,000	6,000	-	6,000
Loss and comprehensive loss for the year	-	-	(42,685)	(42,685)
Balance at July 31, 2018	6,514,249	50,185,484	(50,255,790)	(70,306)
Loss and comprehensive loss for the year	-	-	(42,333)	(42,333)
Balance at July 31, 2019	**6,514,249**	**50,185,484**	**(50,298,123)**	**(112,639)**

On July 11, 2018 the Company consolidated its share capital on a one-for-ten basis. All share and per share information have been restated to reflect this consolidation for all periods presented.

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

Cultivar Holdings Inc. (formerly Admiral Bay Resources Inc.)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

For the years ended July 31,	**2019** **$**	2018 $
Operating activities		
Loss and comprehensive loss for the year	**(42,333)**	(42,685)
Net change in non-working capital items:		
Sales tax receivable	**5,528**	(4,001)
Accounts payable and accrued liabilities	**(325)**	20,178
Cash flows used in operating activities	**(37,130)**	(26,508)
Financing activities		
Proceeds from private placement	**-**	6,000
Proceeds from loans payable	**31,000**	31,526
Cash generated by financing activities	**31,000**	37,526
Change in cash	**(6,130)**	11,018
Cash at beginning of year	**11,018**	-
Cash at end of year	**4,888**	11,018
Cash paid for interest expense	-	-
Cash paid for income taxes	-	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Cultivar Holdings Inc. (formerly Admiral Bay Resources Inc.) (the "Company"), was incorporated in British Columbia on September 3, 1987. The registered office of the Company is located at 77 King Street W, Suite 3000, Toronto, Ontario, Canada, M5K 1G8.

Subsequent to year end, on September 23, 2019, the Company changed its name from "Admiral Bay Resources Inc." to "Cultivar Holdings Inc."

On May 1, 2019, the Company incorporated a wholly owned subsidiary, 2693980 Ontario Inc., a corporation incorporated under the laws of Ontario. As at, and for the period from this incorporation to July 31, 2019, this subsidiary is inactive.

On May 16, 2018, the Company received the following revocation orders:

- Revocation Order dated May 16, 2018 from the British Columbia Securities Commission to a Cease Trade Order ("CTO") previously issued on December 6, 2011; and

- Revocation Order dated May 16, 2018 from the Alberta Securities Commission to a CTO previously issued on March 5, 2012.

The CTOs were issued by the BCSC and the ASC, as a result of the failure of the Company, under its previous management, to file annual audited financial statements and related management discussion and analysis within the required time. The Company has addressed all of the outstanding filing deficiencies and brought its continuous disclosure records on SEDAR up to date.

As at July 31, 2019, the Company had a working capital deficiency of $112,639 (July 31, 2018 – $70,306), had not yet achieved profitable operations, has accumulated losses of $50,298,123 (July 31, 2018- $50,255,790) and expects to incur future losses in the development of any business, all of which represent material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements have been prepared on a going concern basis and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. BASIS OF PREPARATION

2.1 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 ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on December 10, 2019.

2. BASIS OF PREPARATION (Cont'd)

2.2 Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned inactive subsidiary, 2693950 Ontario Inc. All intercompany accounts and transactions have been eliminated on consolidation.

2.3 Basis of presentation and functional and presentation currency

These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention and have been prepared using the accrual basis of accounting except for cash flow information, as explained in the accounting policies set out in Note 3.

The consolidated financial statements are presented in Canadian Dollars, which is the functional currency of the Company and its subsidiary.

Certain comparative figures have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purpose only and has no effect on previously reported results.

2.4 Adoption of new and revised standards and interpretations

Adoption of new standards

The following is an overview of new accounting standards which were first adopted by the Company on August 1, 2018.

IFRS 9 – Financial Instruments

A finalized version of IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements for classification and measurement of financial assets and liabilities; impairment of financial assets; hedge accounting; and derecognition of financial assets and liabilities carried forward from IAS 39. This change had no impact on the consolidated financial statements.

IFRS 15 – Revenue from contracts with customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. As the Company does not have any revenue from customers, this change had no impact on the consolidated financial statements.

Recent Accounting Pronouncements

IFRS 16 – Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, Leases ("IFRS 16"), eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for reporting periods beginning on or after January 1, 2019, with early application permitted. The Company does not anticipate the adoption of this standard to have a significant impact on its consolidated financial statements.

2. BASIS OF PREPARATION (Cont'd)

2.4 Adoption of new and revised standards and interpretations (Cont'd)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods 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 amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is calculated on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.1 Taxation (Cont'd)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year 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 date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.2 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. Diluted loss per share assumes proceeds received upon the exercise of the options and warrants are used to purchase common shares at the average market price during the year. During the years ended July 31, 2019 and 2018 there were no outstanding stock options or warrants.

3.3 Financial instruments

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

The following is the Company's accounting policy for financial instruments under IFRS 9:

<u>Classification</u>

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. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.3 Financial instruments (Cont'd)

Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.3 Financial instruments (Cont'd)

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

Asset or Liability	Category
Cash	FVPTL
Accounts payable	Amortized cost
Loans payable	Amortized cost

The Company determines the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash has been measured at fair value using Level 1 inputs.

3.4 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks, in trust accounts and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

3.5 Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

3.6 Foreign Exchange

The functional currency of the Company and its subsidiary is the Canadian dollar, and these consolidated financial statements are presented in Canadian dollars. Transactions of the Company that are denominated in foreign currencies are recorded in Canadian dollars at exchange rates in effect at the related transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the statement of financial position date. Exchange gains or losses, if any, arising from the translation of foreign currency denominated monetary assets and liabilities are included in operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.7 Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

Critical Judgements

The preparation of these consolidated financial statements requires management to make judgements regarding the going concern of the Company, as previously discussed in Note 1, as well as 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 subsidiary has been determined to be the Canadian dollar.

Key Sources of Estimation Uncertainty

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) the $nil provision for income taxes which is included in the statements of loss and comprehensive loss and composition of deferred income tax assets and liabilities included in the statements of financial position.

4. CAPITAL MANAGEMENT

The Company considers its capital to be equity, which is comprised of share capital and deficit, which as at July 31, 2019 totaled a deficiency of $112,639, (2018 - deficiency of $70,306). 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 only sources of future funds presently available to the Company are through the sale of equity capital 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 were no changes in the Company's approach to capital management during the years ended July 31, 2019 and 2018. The Company is not subject to externally imposed capital restrictions.

5. FINANCIAL INSTRUMENTS

Fair value

The Company's financial instruments consist of cash, accounts payable, and loans payable. The carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these instruments.

Cash is recorded at fair value, using level 1 inputs.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company limits its exposure to credit loss for cash by placing its cash with high quality financial institutions. The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at July 31, 2019, the Company had a working capital deficiency of $112,639 (July 31, 2018 - $70,306). In order to meet its longer-term working capital requirements, the Company intends on securing further financing to ensure that those obligations are properly discharged. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change, and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more operating activities. The Company's financial liabilities generally have contractual maturities of 30 days and are subject to normal trade terms.

Foreign exchange risk

The Company has no assets and liabilities denominated in foreign currency and conducts its business mainly in Canada. The Company's exposure to currency risk is currently considered insignificant.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's interest income on cash balance is negligible and the accounts payable and loans payable are non-interest bearing. The Company is not exposed to significant interest rate risk.

6. LOANS PAYABLE

During the year ended July 31, 2018, the Company obtained three separate loans for total gross proceeds of $31,526, of which a total of $21,526 was from related parties (Note 7). The loans were unsecured, non-interest bearing and due on demand.

During the year ended July 31, 2019, Cultivar Holdings Limited, a related party with which the Company subsequently completed a transaction with (Note 11), paid the loans owing at July 31, 2018 of $31,526 on behalf of the Company. In addition, Cultivar Holdings Limited paid accounts payable for the Company of $37,000, and advanced the Company $31,000. As a result, at July 31, 2019, the Company has a loan payable of $99,526 to Cultivar Holdings Limited (Note 7). This loan is unsecured, non-interest bearing, and has no terms of repayment.

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

The Company has identified its directors and certain senior officers as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were incurred during the years ended July 31, 2019 and 2018.

During the year, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors as follows:

	Years ended	
	July 31, 2019	July 31 2018
	$	$
Consulting fees to a company with a director in common	**-**	4,500
Professional fees to a company with a director in common	**-**	3,500
Rent to companies with directors in common	**-**	15,500
Management fees to a company owned by a director and CEO	**16,000**	-
Filing fees to a company with a director in common	**-**	1,100
Total	**16,000**	24,600

The amounts due to related parties consist of the following as at July 31, 2019 and July 31, 2018:

	Note	**2019**	2018
		$	$
Included in accounts payable		**-**	25,474
Included in loans payable	6	**99,526**	21,526
Total		**99,526**	47,000

The amounts due to the related parties are unsecured, non-interest bearing and due on demand.

8. CAPITAL STOCK

Capital Stock
The Company is authorized to issue an unlimited number of common shares without par value.

During the year ended July 31, 2019, there were no share issuances.

During the year ended July 31, 2018, the Company had the following share issuance:

- On July 11, 2018, the Company increased the number of authorized common shares without par value from 202,297,706 common shares to an unlimited number of common shares.

- On July 11, 2018, the Company consolidated its share capital on a one-for-ten basis. All share and per share information have been restated to reflect this consolidate for all periods presented.

- On July 25, 2018, the Company completed a non-brokered private placement and issued an aggregate of 6,000,000 common shares for gross proceeds of $6,000.

(Expressed in Canadian Dollars)

8. CAPITAL STOCK (Cont'd)

Stock Options

The Company has established a stock option plan whereby officers, directors, employees and service providers may be granted options to purchase common shares at a fixed price. Vesting and expiry provisions are determined at the date of grant. The plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases.

During the years ended July 31, 2019 and 2018 no stock options were issued or outstanding.

9. INCOME TAXES

(a) Provision for Income Taxes

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

For the year ended July 31,	**2019**	2018
	$	$
Loss before income taxes	**(42,333)**	(42,685)
Combined statutory rate	**26.58%**	26.58%
Expected income tax benefit	**(11,252)**	(11,347)
Change in prior year estimates	**41,696**	11,272,973
Change in enacted tax rates	**-**	(49,603)
Change in deferred tax assets	**(30,444)**	(11,212,023)
Income tax expense (recovery)	**-**	-

(b) Deferred Income Tax Balances

Deferred tax assets have not been recognized in respect of the following temporary differences because it has not yet been determined that future taxable profits will be available against which the Company can utilize the benefits.

As at July 31,	**2019**		2018	
Exploration and evaluation assets	**$**	**1,236,409**	$	1,255,946
Capital loss carry forwards		**276,590**		280,961
Non-capital loss carry forwards		**1,137,012**		1,143,548
Total deferred tax assets	**$**	**2,650,011**	$	2,680,455
Unrecognized deferred tax assets		**(2,650,011)**		(2,680,455)
	$	**-**	$	-

(Expressed in Canadian Dollars)

9. INCOME TAXES (Cont'd)

(c) Tax Loss Carryforwards

The significant components of the Company's unused tax loses that have not been included on the consolidated statement of financial position are as follows:

		2019	**Expiry**		2018	Expiry
Non-capital losses available for future periods.	$	4,277,697	2026-2039	$	4,235,364	2026-2038
Capital Losses		1,040,595	No expiry		1,057,039	No expiry
Exploration and evaluation	$	4,651,652	No expiry	$	4,725,154	No expiry

Tax attributes are subject to review, and potential adjustment, by tax authorities.

10. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment in Canada.

11. SUBSEQUENT EVENTS

Effective September 23, 2019, the Company completed the acquisition of all of the issued and outstanding shares of Cultivar Holdings Limited by way of a three-cornered amalgamation, pursuant to which 2693980 Ontario Inc., the Company's wholly owned subsidiary, amalgamated with Cultivar Holdings Limited (the "Transaction"). Pursuant to the Transaction, each registered shareholder of Cultivar Holdings Limited received one (1) common share in the capital of the Company for each common share held, resulting in the issuance of an aggregate of 97,439,900 common shares of the Company to Cultivar Holdings Limited's Shareholders. As part of the Transaction, warrants of Cultivar Holdings Limited were replaced with common share purchase warrants of the Company. In addition, 500,000 Cultivar Holdings Limited shares were set aside to be issued to members of Cultivar Holdings Limited'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, Cultivar Holdings Limited also had outstanding warrants exercisable into an aggregate of 1,648,000 shares at a price of $0.50 per share until August 12, 2021.

The Company also changed its name from "Admiral Bay Resources Inc." to "Cultivar Holdings Inc.". Following completion of the Transaction, the directors and officers of the Company 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).