Cultivar Holdings Ltd.

Consolidated Financial Statements
January 31, 2019

(Expressed in Canadian Dollars)

CULTIVAR HOLDINGS LTD.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cultivar Holdings Ltd.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Cultivar Holdings Ltd. (the "Company"), which comprise the consolidated statement of financial position as at January 31, 2019, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the period from incorporation on December 6, 2017 to January 31, 2019, 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 Company as at January 31, 2019, and its consolidated financial performance and its consolidated cash flows for the period from incorporation on December 6, 2017 to January 31, 2019 in accordance with International Financial Reporting Standards.

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 Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, BC
September 3, 2019

Buckley Dodds LLP
Chartered Professional Accountants

Cultivar Holdings Ltd.
Consolidated Statement of Financial Position
as at January 31, 2019
(in Canadian dollars)

ASSETS		
CURRENT		
Cash	$	1,558,949
Loans and advances (Note 5)		68,526
Deferred costs (Note 5)		61,474
Prepaid expenses (Note 6)		26,672
		1,715,621
Property and equipment (Note 7)		14,106
TOTAL ASSETS	$	1,729,727
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
CURRENT		
Accrued liabilities (Note 10)	$	47,113
TOTAL LIABILITIES		47,113
SHAREHOLDERS' EQUITY		
Share Capital		2,041,220
Share-based payment reserve		5,535
Accumulated deficit		(320,423)
	$	1,726,332
Non-controlling interest		(43,718)
TOTAL SHAREHOLDERS' EQUITY		1,682,614
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	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 16)

Approved on behalf of the Board of Directors:

Signed: Sheldon Kales, CEO and Director

Signed: Eugene Anthony Ffolkes, Director

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

Cultivar Holdings Ltd.
Consolidated Statement of Loss and Comprehensive Loss
for period from incorporation on December 6, 2017 to January 31, 2019
(in Canadian dollars)

Expenses		
Administration and general		33,526
Amortization of property and equipment (Note 7)		4,395
Leasing costs (Note 10)		32,366
Legal fees		86,840
Management fees (Note 10)		59,955
Patent and trademark expenses		17,288
Research and development		49,205
Samples and testing		21,886
Share based compensation (Note 8)		5,535
Taxes and related		2,697
Travel, entertainment and related		47,518
Vehicle use expenses (Note 10)		4,750
Total operating expenses		(365,961)
Gain on foreign exchange		1,820
Loss and comprehensive loss	**$**	(364,141)
Loss and comprehensive loss attributable to:		
Shareholders	**$**	(320,423)
Non-controlling interest	**$**	(43,718)
Loss per share - Basic and Diluted	**$**	(0.01)
Weighted average number of common shares outstanding - Basic and Diluted		57,369,525

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

Cultivar Holdings Ltd.
Consolidated Statement of Changes in Shareholders' Equity
for the period from incorporation on December 6, 2017 to January 31, 2019
(in Canadian dollars)

	Number of common shares outstanding	**Share capital**	**Share-based payment reserve**	**Non-Controlling Interest**	**Deficit**	**Total**
Seed Shares issued for cash	30,000,000	$ 30	$ -	$ -	$ -	$ 30
Acquisition of CannIP Holdings Inc.	29,800,000	30	-	-	-	30
Private placements	33,202,500	2,070,500	-	-	-	2,070,500
Shares issued as finders' fees	275,000	-	-	-	-	-
Share issuance costs	-	(29,340)	-	-	-	(29,340)
Share-based compensation	-	-	5,535	-	-	5,535
Net loss for the period	-	-	-	(43,718)	(320,423)	(364,141)
Balance as at January 31, 2019	93,277,500	$ 2,041,220	$ 5,535	$ (43,718)	$ (320,423)	$ 1,682,614

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

Cultivar Holdings Ltd.
Consolidated Statement of Cash Flows
for the period from incorporation on December 6, 2017 to January 31, 2019
(in Canadian dollars)

OPERATING ACTIVITIES		
Net loss	$	(364,141)
Non-cash items included in net loss and other adjustments:		
Amortization of property and equipment		4,395
Share-based compensation		5,535
Changes in non-cash working capital:		
Loans and advances		(68,526)
Prepaid expenses		(26,672)
Accrued liabilities		47,113
CASH USED IN OPERATING ACTIVITIES		**(402,296)**
INVESTING ACTIVITIES		
Cash acquired from acquisition		30
Purchase of property and equipment		(18,501)
CASH USED IN INVESTING ACTIVITIES		**(18,471)**
FINANCING ACTIVITIES		
Issuance of share capital for cash		2,070,530
Share issuance costs – cash		(29,340)
Deferred financing costs		(61,474)
CASH PROVIDED BY FINANCING ACTIVITIES		**1,979,716**
NET CHANGE IN CASH DURING THE PERIOD		**1,558,949**
CASH, BEGINNING OF PERIOD		-
CASH, END OF PERIOD	$	**1,558,949**
Cash paid for interest and income taxes	$	-

The accompanying notes are an integral part of these 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 3, 2019.

2. Basis of Presentation and Going Concern

Basis of Preparation

These 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

The consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 1, “Presentation of Consolidated Financial Statements” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of Consolidation

These 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.

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 January 31, 2019, the Company had cash of $1,558,949, working capital of $1,668,508 and an accumulated deficit of $320,423. 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.

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

Going Concern Assumption (Cont'd)

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.

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.

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

Significant Accounting Judgments and Estimates (Cont'd)

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.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Cash

Cash comprises of cash held at banks and amounts held in trust. The majority of the Company's cash is held in trust. The Company does not invest in any asset-backed deposits or investments.

Income taxes

Income tax on profit or loss for the period comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the period, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax paid or payable in respect of previous periods.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the period-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net loss. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net loss. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of such financial instrument.

3. Significant Accounting Policies (Cont'd)

Foreign currency translation (Cont'd)

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net loss or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Loss per share

Loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Share-based payments

The Company grants stock options to buy common shares of the Company to consultants and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the options. A fair value measurement is made for each vesting instalment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options is recognized over the vesting period of the options granted as both share-based compensation expense and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options are exercised and the amount initially recorded is then credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

Property and equipment:

Property and equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The cost of the item of property and equipment consists of the purchase price, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of loss and comprehensive loss. The cost of repairs and maintenance is expensed as incurred.

The Company amortizes its property and equipment using the following rates:

Equipment	30% per annum, declining balance
Leasehold improvements	Straight line over the term of the lease

3. Significant Accounting Policies (Cont'd)

Impairment

The carrying amount of the Company's assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Financial Instruments

Financial assets and financial liabilities are recognized on the consolidated 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.

<u>Measurement</u>

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.

3. Significant Accounting Policies (Cont'd)

Financial Instruments (Cont'd)

Measurement (Cont'd)

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 consolidated 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 consolidated 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 consolidated 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. Significant Accounting Policies (Cont'd)

Financial Instruments (Cont'd)

Derecognition (Cont'd)

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

Asset or Liability	Category	Measurement
Cash	FVTPL	Fair value
Loans and advances	Loans and receivables	Amortized cost
Accrued liabilities	Other liabilities	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.

Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in a separate line item. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. Significant Accounting Policies (Cont'd)

Accounting standards Issued but not yet applied

New standard IFRS 16 “Leases” This new standard replaces IAS 17 “Leases” and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. As at January 31, 2019, the Company has a land lease agreement in Jamaica and expects that the impact upon adopting this new standard will be the reclassification of the lease as a right-of-use asset on the statement of financial position.

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.

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 January 31, 2019, the Company advanced $68,526 to Admiral to repay its loans and part of its payables and incurred an additional $61,474 as finders' fees which is classified as deferred costs to be expensed when this transaction is completed.

6. Prepaid Expenses

As of January 31, 2019, a sum of $26,672 (USD $20,292) 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.

(in Canadian dollars)

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**
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**
Net Carrying Amounts			
As at January 31, 2019	**$ 6,439**	**$ 7,667**	**$ 14,106**

8. Stock-based compensation

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, and balance 175,000 on completion of milestones, 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
Stock-based compensation cost expensed during the period	$	3,973
Unvested stock-based compensation expense	$	9,272

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
Stock-based compensation cost expensed during the period	$	1,562
Unvested stock-based compensation expense	$	4,686

As of January 31, 2019, there was $13,958 of unvested stock-based compensation expense.

(in Canadian dollars)

8. Stock Based Compensation (Cont'd)

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

Outstanding	**Exercisable**	**Exercise Price**	**Remaining Life (Years)**	**Expiry Date**
250,000	75,000	$0.10	1.73	October 25, 2020
100,000	25,000	$0.10	2.77	November 8, 2021
350,000	100,000	$0.10	2.03	

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 January 31, 2019, the Company has 93,277,500 common shares issued and outstanding.

b) Share issuances

- 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.

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").

(in Canadian dollars)

10. Related Party Transactions (Cont'd)

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

				January 31, 2019
Management fees to the CEO	$	56,000		
Management fees to the CFO	$	3,955		
Total Management fees			$	59,955
Vehicle expense to the CEO				4,750
Leasing costs to the CEO				14,250
			$	78,955

As of January 31, 2019, there was $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.

12. Financial Instruments (Cont'd)

Financial risk management and objectives (Cont'd)

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 January 31, 2019, the Company had sufficient cash of $1,558,949 to settle current liabilities of $47,113.

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.

(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 January 31, 2019, the Company had net financial assets denominated in US Dollars of approximately $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 $2,670. The Company has not entered into any foreign exchange contracts to hedge this risk.

(in Canadian dollars)

13. Capital Management

The Company considers its capital to be shareholders' equity, which is comprised of share capital and deficit, which as at January 31, 2019 totaled $1,682,614. 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. The Company is not subject to externally imposed capital restrictions.

14. Income Taxes

The following is a reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax recovery.

		January 31, 2019
Loss for the period	$	(364,141)
Tax rate		26.5%
Expected income tax recoverable at statutory rate		(96,497)
Impact of future tax rates and other		5,818
Non-deductible items		1,467
Share issuance costs		(7,775)
Change in unrecognized deductible temporary differences		96,987
Total income tax recovery	$	-

<u>Deferred tax assets</u>

The tax effects of temporary differences that give rise to future income tax assets are as follows:

		January 31, 2019
Non-capital losses available for future period	$	90,020
Share issuance costs		5,868
Property and equipment		1,099
Total deferred tax assets		96,987
Less: Unrecognized deferred tax assets		(96,987)
Net deferred tax assets	$	-

The significant components of the Company's unrecognized deferred tax assets are as follows:

		January 31, 2019	Expiry Date
Non-capital losses	$	360,079	2039
Share issuance costs	$	23,472	2039 – 2043
Property and equipment	$	4,395	No expiry

14. Income Taxes (Cont'd)

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

15. 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 year. All assets are located in Canada except for property and equipment for $14,106 and prepaid expenses for $26,672 which are located in Jamaica.

16. Subsequent Events

a) On March 18, 2019, the Company executed a teaming agreement with Tech Mahindra Limited ("TechM") incorporated under the laws of India with the desire to act as a team for the purpose of preparing and submitting a proposal of projects pertaining to detection of cannabis and alcohol impairment to customers.

b) On March 19, 2019, the Company executed an agreement with Hindalco Industries Limited ("Hindalco"), a Company incorporated under the laws of India. Both parties intend to establish an ongoing co-operative business relationship in the field of addressing impairment related to drugs and alcohol in the workplace.

c) On May 1, 2019, the Company issued 550,000 common shares to a director for services and 250,000 common shares to a consultant for services.

d) 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. 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.