Global Wellness Strategies Inc. (formerly Redfund Capital Corp.)

Consolidated Financial Statements

September 30, 2020

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Global Wellness Strategies Inc. (formerly Redfund Capital Corp.)

Opinion

We have audited the financial statements of Global Wellness Strategies Inc. (formerly Redfund Capital Corp.) (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company has incurred losses and negative operating cash flows as at September 30, 2020 and the Company's ability to continue its operations is dependent on its ability to raise additional equity financing and to generate operational cash flow. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

Our opinion on the financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 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 financial statements, including the disclosures, and whether the 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 David Goertz.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC

January 28, 2021

MOORE

An independent firm
associated with Moore
Global Network Limited

Global Wellness Strategies Inc. (formerly Redfund Capital Corp.)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at September 30, 2020 and September 30, 2019

	Note	**September 30, 2020 $**	September 30, 2019 $
Assets			
Current assets			
Cash		3,999	18,280
Interest receivable		-	24,276
		3,999	42,556
Non-current assets			
Convertible loans receivable	4	-	726,886
Total assets		**3,999**	769,442
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	7	264,654	159,655
Total liabilities		**264,654**	159,655
Shareholders' equity			
Share capital	5	30,134,573	29,679,528
Reserves	5	6,529,801	6,869,055
Deficit		(36,925,029)	(35,938,796)
Total shareholders' equity (deficit)		**(260,655)**	609,787
Total liabilities and shareholders' equity (deficit)		**3,999**	769,442
Nature of operations and going concern	1		
Subsequent event	11		

Approved on behalf of the Board of Directors on January 28, 2021:

"Meris Kott" **Director** *"Eugene Hodgson"* **Director**

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

Global Wellness Strategies Inc. (formerly Redfund Capital Corp.)

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(Expressed in Canadian Dollars)

For the years ended September 30, 2020 and September 30, 2019

	Number of shares #	Share capital $	Reserves $	Subscriptions received in advance $	Deficit $	Total shareholders' equity (deficit) $
October 1, 2018	10,299,029	27,303,591	6,443,836	564,208	(33,568,297)	743,338
Private placement units issued	1,431,250	1,717,500	-	(564,208)	-	1,153,292
Share issue costs	-	(36,167)	6,700		-	(29,467)
Shares issued for services	1,123,958	694,604	-	-	-	694,604
Share-based payments	-	-	418,519	-	-	418,519
Loss and comprehensive loss for the year	-	-	-	-	(2,370,499)	(2,370,499)
September 30, 2019	12,854,237	29,679,528	6,869,055	-	(35,938,796)	609,787
October 1, 2019	12,854,237	29,679,528	6,869,055	-	(35,938,796)	609,787
Acquisition of Sunshine State Tea	1,125,000	270,000	-	-	-	270,000
Shares issued for services	771,323	185,045	-	-	-	185,045
Share-based payments	-	-	49,502	-	-	49,502
Re-allocated on cancellation of options	-	-	(388,756)	-	388,756	-
Loss and comprehensive loss for the year	-	-	-	-	(1,374,989)	(1,374,989)
September 30, 2020	**14,750,560**	**30,134,573**	**6,529,801**	**-**	**(36,925,029)**	**(260,655)**

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

Global Wellness Strategies Inc. (formerly Redfund Capital Corp.)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

For the years ended September 30, 2020 and September 30, 2019

	Note	**September 30, 2020 $**	September 30, 2019 $
Income			
Interest income		101,872	112,279
		101,872	112,279
Expenses			
Bank charges		1,950	2,622
Consulting	7	295,630	1,361,215
Investor relations and marketing		-	285,300
Office and rent		3,539	45,570
Professional fees	7	54,666	109,419
Public relations		-	405,403
Regulatory and filing		22,976	61,502
Share-based payments	3,5,7	319,502	418,519
Travel	7	-	131,372
Loss from operating expenses		**(596,391)**	(2,708,643)
impairment of investment	3	-	(100,000)
Impairment of convertible loan receivables	4	(875,567)	(100,080)
Impairment reversal of convertible loan receivables	4	-	255,000
Gain on contract settlement	5	27,706	267,062
Unrealized gain on convertible loans receivable, net	4	69,709	1,146
Foreign exchange gain (loss)		(446)	15,016
Net loss for the period		**(1,374,989)**	(2,370,499)
Loss per share			
Weighted average number of common shares outstanding			
- Basic #	6	**13,834,623**	12,119,079
- Diluted #	6	**13,834,623**	12,119,079
Basic loss per share $	6	**(0.10)**	(0.20)
Diluted loss per share $	6	**(0.10)**	(0.20)

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

Global Wellness Strategies Inc. (formerly Redfund Capital Corp.)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

For the years ended September 30, 2020 and September 30, 2019

	Note	**September 30, 2020 $**	September 30, 2019 $
Operating activities			
Net loss for the year		(1,374,989)	(2,370,499)
Adjustments for:			
Unrealized loss on marketable securities		-	-
Share-based payments		319,502	1,380,185
Shares issued for services		185,045	-
Unrealized loss on convertible loans receivable, net		(69,709)	-
Accrued interest		(54,696)	-
Units issued for services		-	-
Impairment of investment		-	100,000
Impairment of convertible loan receivables		875,567	100,080
Impairment reversal of convertible loan receivables		-	(255,000)
Gain on contract settlement		(27,706)	(267,062)
Net change in non-cash working capital items	9	85,529	(49,532)
		(61,457)	(1,361,828)
Financing activities			
Proceeds from issuance of common shares/units		-	1,153,292
Share issue costs		-	(29,467)
Issuance of convertible notes receivable		-	(671,966)
		-	451,859
Investing activities			
Interest income received on convertible notes		47,176	-
		47,176	-
Net change in cash		**(14,281)**	(909,969)
Cash, beginning of year		**18,280**	928,249
Cash, end of year		**3,999**	18,280
Supplemental cash flow information	9		

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

1. Nature of operations and going concern

Global Wellness Strategies Inc. (formerly Redfund Capital Corp.) (the "Company") was incorporated under the Business Corporation Act of Alberta on August 31, 1998 and was continued to British Columbia on January 30, 2006. The Company's shares are publicly traded on the Frankfurt Exchange and Canadian Stock Exchange (the "CSE") under the symbol "LOAN".

On August 2, 2018, the Company completed a change of business and corporate name change to become a merchant bank focused on medical cannabis non-THC, CBD and hemp in both Canada and the United States. The head office, principal address and records office of the Company are located at 100 - 1111 Melville St Vancouver, British Columbia V6E 3V6.

These consolidated financial statements (the "financial statements") have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2020, the Company is not able to finance day to day activities through operations and continues to incur losses. The continuing operations of the Company are dependent upon its ability to attain profitable operations and generate funds there from. This indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs with equity financings, loans from directors and companies controlled by directors and or private placement of common shares. If the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on its consolidated statement of financial position.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS"), as issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on an historical cost basis, except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

All amounts in these financial statements are presented in Canadian dollars, which is the functional currency of the Company. See Note 2(b) for details of the Company's subsidiaries and their functional currencies.

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(b) Basis of consolidation

These financial statements include the accounts of the Company and its subsidiaries. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

Entity	Incorporation	Status	Functional Currency	Ownership Percentage
Ultra Invest Canada Inc. (“Ultra Invest”)	Canada	Inactive	Canadian	100%
Ona Power Oil & Gas Corp (“Ona”)	United States	Inactive	US Dollar	100%

(c) New accounting standards

The Company adopted the following accounting standards that were effective for the Company beginning on October 1, 2019.

- New standard IFRS 16 - *Leases*

  IFRS 16, Leases (“IFRS 16”) was issued by the IASB on January 13, 2016, and replaced IAS 17, Leases. It was effective for annual periods beginning on or after January 1, 2019, with earlier application permitted. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, IFRS 16 requires a single, on-balance sheet accounting model that is similar to current finance lease accounting. Leases become an on-balance sheet liability that attract interest, together with a new asset.

  The Company does not have any leases and there were no material reporting changes as a result of adopting the new standard.

- New Interpretation IFRIC 23 - *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 Interpretation was applicable for annual periods beginning on or after January 1, 2019.

  There were no reporting changes as a result of adopting the new interpretation.

(d) Future changes in accounting policies

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2020, and have not been applied in preparing the financial statements. These new standards are either not applicable or are not expected to have a significant impact on the Company’s consolidated financial statements.

2. Significant accounting policies (continued)

(e) Financial instruments

The Company classifies its financial instruments in the following categories: as FVTPL, financial assets at amortized cost and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition.

(i) Non-derivative financial assets and liabilities

Recognition

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

Classification

The Company classifies its financial assets and financial liabilities using the following measurement categories:

(a) Those to be measured subsequently at fair value (either through other comprehensive income (loss) or through profit or loss); and

(b) Those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (an irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income (loss).

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company's investment's and convertible receivables are classified as FVTPL. Investments and convertible receivables held in companies with an active market are classified as current assets at fair value. Investments and convertible receivables held in non-public companies without an active market are classified as noncurrent assets and are valued at fair value. In situations where fair value is indeterminable or impracticable to determine, the shares are recorded at cost. This may occur when non-public company shares are received as payment for asset interests. In such situations cost is determined by reference to the issue price of similar shares issued by the non-public entity for cash, at or near the time of issue of the investment shares, and in similar volumes. When, at future measurement dates fair value is still indeterminable, or impracticable, cost is used as the measure of fair value. When there is evidence of impairment the shares are written-down to expected realizable value.

(ii) Derivative financial assets

Warrants are classified as derivative financial assets and are recorded at FVTPL. Warrants without an active market that are received as attachments to common share units are initially recorded at nominal amounts. At the time of purchase the total unit cost is allocated in full to each common share. Subsequent value is determined at measurement date using a valuation technique, such as the Black-Scholes option pricing model, or when the valuation technique input variables are not reliable, using the intrinsic value, which is equal to the higher of the market value of the underlying security, less the exercise price of the warrant, or zero.

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(iii) Other financial liabilities

The Company has the following other financial liabilities: accounts payable and accrued liabilities.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Interest expense is recorded to profit or loss.

(f) Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The financial statements are presented in Canadian dollars which is the parent company's functional and presentational currency. The functional currency of Ultra Invest is the Canadian dollar and the functional currency of Ona is the US dollar.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded to the Company's foreign currency translation reserve. These differences are recognized in the profit or loss in the period in which the operation is disposed of.

(g) Impairment

(i) Financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

2. Significant accounting policies (continued)

(g) Impairment (continued)

(ii) Non-financial assets

Non-financial assets are reviewed quarterly by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the CGU level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount.

(h) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, options and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares, warrants or options are recognized as a deduction from equity, net of tax.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of common shares issued in private placements was determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to attached warrants. Any fair value attributed to warrants is recorded to reserves of the issued

(i) Share-based payment transactions

The Company has a stock option plan that provides for the granting of options to Officers, Directors, related company employees and consultants to acquire shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in contributed surplus as the options vest.

Options granted to employees and others providing similar services are measured on grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

2. Significant accounting policies (continued)

(i) Share-based payment transactions (continued)

Over the vesting period, share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised, the consideration received is recorded as share capital and the related share-based payments originally recorded as contributed surplus are transferred to share capital. When an option is cancelled, or expires, the initial recorded value is reversed from reserves and credited to deficit.

(j) Income taxes

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

(k) Loss per share

The Company presents basic and diluted loss per share ("LPS") data for its common shares. Basic LPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted LPS is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for own shares held, and for the effects of all potential dilutive common shares related to outstanding stock options and warrants issued by the Company for the years presented, except if their inclusion proves to be anti-dilutive.

(l) Use of estimates and critical judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates and judgments. Those areas requiring the use of management estimates and judgments include:

Estimates

(i) Conversion options or sale agreements, under which the Company may receive shares as payment, require the Company to determine the fair value of the shares and/or warrants received. Many factors can enter this determination, including, if public shares, the number of shares received, the trading value of the shares, and volume of shares, and if non-public shares, the underlying asset value of the shares, or value of the claims under option or sale. This determination is subjective and does not necessarily provide a reliable single measure of the fair value of the shares received.

2. **Significant accounting policies** (continued)

(l) **Use of estimates and critical judgments** (continued)

(ii) The determination of the fair value of stock options or warrants using stock pricing models requires the input of highly subjective variables, including expected price volatility. Wide fluctuations in the variables could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.

(iii) The fair value of the convertible loan receivables is determined using a discounted cash flow technique which includes inputs that are not based on observable market data and inputs that are derived from observable market data. Where available, the Corporation seeks comparable interest rates and if unavailable, it uses those considered appropriate for the risk profile of a corporation in the industry.

Judgments

(i) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

3. Acquisitions and investments

Mary's Wellness Ltd. ("MWL")

On March 20, 2019, the Company converted its $100,000 convertible loan receivable to 5% of the common shares in MWL. The investment in MWL was recorded at cost as the Company does not have significant influence nor control over MWL. On September 30, 2019, due to the inability of the Company to obtain recent financial information of MWL and given the Company did not receive any returns from this investment, the Company had impaired this investment to $nil, resulting in an impairment loss of $100,000. The Company assessed the investment at September 30, 2020 and no reversal of impairment was noted.

Sunshine State Tea Company, LLC ("SSTC")

On February 6, 2020, the Company entered into a Limited Liability Company Membership Interest Purchase Agreement (the "Agreement") with SSTC, a private Florida, United States company controlled by the Company's CEO, Meris Kott, to purchase 18% membership interest in SSTC. The assets in SSTC include formulas related to SSTC tea product line.

On April 1, 2020, the Company issued 1,125,000 common shares to Meris Kott, to acquire an 18% membership interest of SSTC. As additional consideration of the transaction, the Company shall loan the sum of $500,000 to SSTC for project and business development over the next 3 years, which the loan shall be repaid within 5 years from the date of the last funding and shall bear interest at 6% per annum. This acquisition has been accounted for as a asset acquisition as SSTC does not meet the definition of a business under *IFRS 3, Business Combinations*.

In accordance with *IFRS 2 – Share based payments*, the equity consideration on transfer was measured at fair value on the date of acquisition.

(Expressed in Canadian Dollars)

3. Acquisitions and investments (continued)

Sunshine State Tea Company, LLC ("SSTC") (continued)

Consideration paid:		
1,125,000 common shares at $0.24 per share	$	270,000

The fair value share consideration pertaining to the asset acquisition was $270,000. The consideration paid was recognized as share-based payments in the amount of $270,000.

4. Convertible loans receivable

			Convertible debenture receivable	
			Face value	Fair value
Balance, September 30, 2018		$	-	$ -
Biominerales Pharma Corp.				
	Loan granted		250,000	250,000
	Impairment reversal		255,000	255,000
	Fair value adjustments		-	(9,712)
	Interest income received		(79,795)	-
	Interest income accrued		73,930	-
			499,135	495,288
RxMM Health Capital Inc.				
	Loan granted		220,740	220,740
	Fair value adjustments		-	10,858
	Interest income received		(8,208)	-
	Interest income accrued		30,142	-
			242,674	231,598
Mary's Wellness				
	Loan granted		100,000	100,000
	Converted to investment (Note 3)		(100,000)	(100,000)
			-	-
Winterlife Inc.				
	Loan granted		100,080	100,080
	Impairment of convertible receivable		(100,080)	(100,080)
			-	-
Balance, September 30, 2019		$	741,809	726,886
Biominerales Pharma Corp.				
	Loan balance		499,135	495,288
	Fair value adjustments		-	9,712
	Interest income received		(47,187)	-
	Interest income accrued		70,894	-
	Impairment of convertible receivable		(522,842)	(505,000)
			-	-
RxMM Health Capital Inc.				
	Loan balance		242,674	231,598
	Fair value adjustments		-	59,997
	Interest income accrued		30,988	-
	Impairment of convertible receivable		(273,662)	(291,595)
			-	-
Balance, September 30, 2020		**$**	**-**	**-**

4. Convertible loans receivable (continued)

Biolog, Inc.

On August 21, 2018 ("Effective Date"), the Company subscribed for a convertible secured promissory note with Biolog, Inc. ("Biolog"), a private company incorporated in the State of Utah. The Company has agreed to advance up to USD$800,000 in tranches. Advances are secured by the assets of Biolog and bear interest at 14%, payable monthly, and the promissory note is due on September 1, 2020. On the Effective Date, the Company advanced $194,000. The note may be converted into common shares of Biolog at a price equal to a 10% discount to the valuation of Biolog immediately from any financing immediately prior to the date of conversion.

In addition, Biolog issued warrants equivalent to 20% of the amount of the note based upon its valuation as of the Effective Date which is stipulated to be USD$10,000,000. The option to settle the convertible note and warrants in common shares of Biolog represents an embedded derivative in the form of a call option to the Company. Biolog is a private company and its shares cannot be reliably valued using any market-derived indicators. Accordingly, the derivative asset was initially recognized by the Company at $nil value. As at September 30, 2019 and September 30, 2020, the fair value of the derivative asset remained the same.

Management completed a thorough analysis as to any expected credit losses on certain of its financial assets. Accordingly, management has been unable to review financial information of Biolog and has assessed the high likelihood of un-collectability in respect to the principal portion of the loan. Thus, the entire balance of convertible note receivable remains impaired. As such time the loan is repaid in full, the Company will recognize a recovery of the impairment amount. This loan continues to be secured by the borrowers' assets. As at September 30, 2020, the loan is now in default. The Company will be taking the steps of recovery through the borrowers' assets.

Biominerales Pharma Corp.

On August 27, 2018 ("Effective Date"), the Company subscribed for a convertible secured promissory note with Biominerales Pharma Corp. ("Biopharma"), a private company incorporated under the laws of the Province of Quebec. The Company has agreed to advance up to USD$196,184. Advances are secured by the assets of Biopharma and bears interest at 14% annually, payable monthly; and the promissory note is due on October 1, 2020. On the Effective Date, the Company advanced $255,000 under the note. The note may be converted into common shares of Biopharma at a price equal to a 10% discount to the price assigned to the common shares of Biopharma from any financing immediately prior to the date of conversion. The Company is not able to exert significant influence over the operations of Biopharma.

In addition, Biopharma issued 18,684 warrants, exercisable at a price of $2.10 per warrant, to acquire one Class A common share in the capital of Biopharma for a period of 24 months. The option to settle the convertible note and the stock warrants in Class A common shares of Biopharma represents an embedded derivative in the form of a call option. Biopharma is a private company and its shares cannot be reliably valued using any market-derived indicators. As at September 30, 2018, the Company had not received repayment of such note and management has assessed the high likelihood of collectability. Thus, the entire balance of convertible note receivable had been impaired.

On October 1, 2018, a further $250,000 was loaned to Biopharma under the same terms as the previously loaned $255,000. This loan continues to be secured by the borrowers' assets. During the period ended September 30, 2020, Biopharma has made monthly interest payments in accordance with the promissory note totaling $47,176.

Management completed a thorough analysis as to any expected credit losses on certain of its financial assets. Accordingly, management has not been satisfied through the review of financial information of Biominerales and has assessed the high likelihood of un-collectability in respect to the principal portion of the loan. Thus, the entire balance of convertible note receivable has been impairment $505,000 as at September 30, 2020.

Subsequent to the year ended September 30, 2020, the Company extended the loan payable maturity date to May 1, 2021.

4. Convertible loans receivable (continued)

RxMM Health Capital Inc.

On October 1, 2018, the Company entered into a US$500,000 promissory note with RxMM Health ("RxMM"). The loan is secured by a general security agreement on assets of RxMM. The loan bears an interest at 14% compounded monthly and is repayable within 24 months. Furthermore, RxMM granted additional consideration to the Company providing an option to purchase common shares of RxMM equal to 20% of the amount of the loan based on a valuation agreed upon between RxMM and the Company. On October 9, 2018, the Company made a first tranche loan of $220,740 CDN to RxMM. This loan continues to be secured by the borrowers' assets.

Management completed a thorough analysis as to any expected credit losses on certain of its financial assets. Accordingly, management has been unable to review financial information of RxMM and has assessed the high likelihood of un-collectability in respect to the principal portion of the loan. Thus, the entire balance of convertible note receivable has been impaired. As such time the loan is repaid in full, the Company will recognize a recovery of the impairment amount. This loan continues to be secured by the borrowers' assets. Subsequent to the year ended September 30, 2020, the loan is now in default. The Company will be taking the steps of recovery through the borrowers' assets.

Mary's Wellness Ltd.

On October 15, 2018, the Company entered into a $1,000,000 promissory note with Mary's Wellness Ltd. ("MWL"). The loan was secured by a general security agreement on assets of MWL. The loan bore an interest rate of 12.5% per annum compounded monthly and was repayable by November 1, 2020. Furthermore, MWL granted additional consideration to the Company providing an option to purchase common shares of MWL equal to 20% of the amount of the loan based on a valuation agreed upon between MWL and the Company. On October 19, 2018, the Company made a first tranche loan of $100,000 CDN to MWL. This loan was secured by the borrowers' assets. The entire loan was converted on March 20, 2019 to a 5% equity interest in MWL (Note 3).

Winterlife Inc.

On November 1, 2018, the Company entered into a USD$1,000,000 promissory note with Winterlife Inc. ("Winterlife"). The loan is secured by a general security agreement on assets of Winterlife made effective on November 1, 2018. The loan bears an interest rate of 14% per annum compounded monthly and is repayable by November 1, 2020. Furthermore, Winterlife granted additional consideration to the Company providing an option to purchase common shares of Winterlife equal to 20% of the amount of the loan based on a valuation agreed upon between Winterlife and the Company. On November 6, 2018, the Company made a first tranche loan of $100,080 CDN to Winterlife. This loan continues to be secured by the borrowers' assets.

Management completed a thorough analysis as to any expected credit losses on certain of its financial assets. Accordingly, management has been unable to review financial information of Winterlife and has assessed the high likelihood of un-collectability in respect to the principal portion of the loan. Thus, the entire balance of convertible note receivable has been impaired. As such time the loan is repaid in full, the Company will recognize a recovery of the impairment amount. This loan continues to be secured by the borrowers' assets. Subsequent to the year ended September 30, 2020, the loan is now in default. The Company will be taking the steps of recovery through the borrowers' assets.

5. Share capital

The authorized share capital of the Company consists of unlimited common shares without par value and unlimited preferred shares without par value. All issued shares are fully paid.

Transactions for the issue of share capital during the year ended September 30, 2020:

On April 1, 2020, the company issued 1,125,000 shares at a deemed price of $0.24 per common share for consideration of an 18% membership interest in SSTC at a deemed value of $270,000 (Note 3). Each common share is subject to a four month hold restriction.

The Company issued a total of 725,000 shares to consultants on the following dates for consulting services rendered:

- October 2, 2019: 125,000 shares for $25,000;
- November 4, 2019: 50,000 shares for $16,000;
- April 1, 2020: 50,000 shares for $12,000; and
- May 15, 2020: 500,000 shares for $120,000.

The fair value of the above share issuances was recognized and included in consulting expenses. On October 20, 2019, the Company entered into a Debt Settlement Agreement whereby the Company issued a total of 50,000 common shares with a fair value of $16,000 ($0.32 per share) to settle an amount owing of $40,000. In connection with the debt settlement, the Company recognized a gain of $24,000.

On December 30, 2019, the Company entered into a Debt Settlement Agreement whereby the Company issued a total of 46,324 common shares with a fair value of $12,044 ($0.26 per share) to settle an amount owing of $15,750. In connection with the debt settlement, the Company recognized a gain of $3,706.

Transactions for the issue of share capital during the year ended September 30, 2019:

During the year ended September 30, 2019, the Company issued a total of 1,123,958 shares to consultants on the following dates for Consulting services rendered:

- February 19, 2019: 50,000 shares for a total value of $40,000;
- April 5, 2019: 315,625 shares for a total value of $220,937;
- April 24, 2019: 208,333 shares for a total value of $141,667;
- May 13, 2019: 250,000 shares for a total value of $150,000;
- July 8, 2019: 250,000 shares for $125,000; and
- September 6, 2019: 50,000 shares for $17,000.

The above share issuances were recognized as share-based payments and included in consulting expenses. The Company recognized a gain on contract settlements of $267,062.

On October 11, 2018, the Company closed a private placement by issuing 1,431,250 units at $1.20 per unit for gross proceeds of $1,717,500. Each unit consisted of one common share and one warrant entitling the holder to one additional common share for $2.20 for a period of two years from date of issuance. $564,208 of the subscription proceeds were received during the year ended September 30, 2018. A cash commission of $29,467 was paid and 5,367 broker warrants were issued, containing the same exercise terms as the private placement warrants. The fair value of the 5,367 broker warrants was estimated at $6,700 using the Black-Scholes option pricing model.

(Expressed in Canadian Dollars)

5. Share capital (continued)

Stock options

The Company has adopted a stock option plan whereby the Company may from time to grant to Directors, Officers, employees and consultants options to purchase common shares of the Company provided that the number of options granted, including all options granted by the Company to date, does not exceed 10% of the Company's common shares issued and outstanding at the time of granting stock options. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities' position.

A summary of the status of the Company's stock options as at September 30, 2020 and September 30, 2019, and changes during the years then ended is as follows:

	Year ended September 30, 2020		Year ended September 30, 2019	
	Options #	Weighted average exercise price $	Options #	Weighted average exercise price $
Options outstanding, beginning of year	337,500	1.74	-	-
Granted	422,500	0.34	337,500	1.74
Expired/cancelled	(272,500)	1.84	-	-
Options outstanding, end of year	**487,500**	**0.47**	337,500	1.74

As at September 30, 2020 the Company has stock options outstanding and exercisable as follows:

Options outstanding #	Options exercisable #	Exercise price $	Expiry date
21,250	21,250	2.04	October 12, 2023
75,000	75,000	0.68	September 6, 2024
25,000	25,000	0.68	November 19, 2024
328,750	328,750	0.32	May 14, 2025
37,500	37,500	0.32	May 20, 2025
487,500	**487,500**		

The following table summarizes information about the stock options outstanding as at September 30, 2020:

Number of options outstanding #	Weighted average remaining life (years)	Weighted average exercise price $
487,500	4.42	0.47

On October 12, 2018, the Company granted 262,500 options to Officers, Directors, and consultants of the Company. Each option is exercisable into one common share of the Company for $2.04 per share and expires October 12, 2023. These options vested quarterly over one year and had a fair value on grant of $402,000 using the Black-Scholes option pricing model with the following assumptions: i) exercise price: $2.04; ii) share price: $2.04; iii) term: 5 years; iv) volatility: 100%; v) risk-free rate: 2.38%.

(Expressed in Canadian Dollars)

5. Share capital (continued)

Stock options (continued)

On September 6, 2019, the Company granted 75,000 options to Officers, Directors, and consultants of the Company. Each option is exercisable into one common share of the Company for $0.68 per share and expires September 6, 2024. These options had a fair value on grant of $16,519 using the Black-Scholes option pricing model with the following assumptions: i) exercise price: $0.68; ii) share price: $0.36; iii) term: 5 years; iv) volatility: 100%; v) risk-free rate: 1.40%.

On November 19, 2019, the Company granted 25,000 options to a Director of the Company. Each option is exercisable into one common share of the Company for $0.68 per share and expires November 19, 2024. These options had a fair value on grant of $5,500 using the Black-Scholes option pricing model with the following assumptions: i) exercise price: $0.68; ii) share price: $0.34; iii) term: 5 years; iv) volatility: 100%; v) risk-free rate: 1.45%.

On May 14, 2020, the Company granted 360,000 options to Officers, Directors, and consultants of the Company. Each option is exercisable into one common share of the Company for $0.32 per share and expires May 14, 2025. These options had a fair value on grant of $42,600 using the Black-Scholes option pricing model with the following assumptions: i) exercise price: $0.32; ii) share price: $0.18; iii) term: 5 years; iv) volatility: 100%; v) risk-free rate: 0.36%.

On May 20, 2020, the Company granted 37,500 options to Officers, Directors, and consultants of the Company. Each option is exercisable into one common share of the Company for $0.32 per share and expires May 20, 2025. These options had a fair value on grant of $5,100 using the Black-Scholes option pricing model with the following assumptions: i) exercise price: $0.32; ii) share price: $0.20; iii) term: 5 years; iv) volatility: 100%; v) risk-free rate: 0.41%.

Warrants

As an incentive to complete private placements, the Company may issue units which include common shares and common share purchase warrants. Using the residual value method, the Company determines whether a value should be allocated to the warrants attached to the units sold in completed private placements.

Finders' warrants may be issued as a private placement share issue cost and are valued using the Black-Scholes option pricing model.

A summary of the status of the Company's warrants as at September 30, 2020 and September 30, 2019, and changes during the years then ended is as follows:

	Year ended September 30, 2020		Year ended September 30, 2019	
	Warrants #	Weighted average exercise price $	Warrants #	Weighted average exercise price $
Warrants outstanding, beginning of year	5,992,575	1.32	4,555,958	0.95
Private placement warrants issued	-	-	1,431,250	2.20
Broker warrants issued	-	-	5,367	2.20
Private placement warrants expired	(2,778,180)	1.36	-	-
Warrants outstanding, end of year	**3,214,395**	**1.29**	5,992,575	1.32

(Expressed in Canadian Dollars)

5. Share capital (continued)

Warrants (continued)

As at September 30, 2020 the Company had private placement warrants outstanding and exercisable as follows:

Warrants outstanding #	Exercise price $	Expiry date
5,367	2.20	October 12, 2020
1,431,250	2.20	October 12, 2020
888,889	0.56	January 8, 2021
888,889	0.56	August 16, 2021
3,214,395		

The following table summarizes information about the warrants outstanding as at September 30, 2020:

Range of prices $	Number of warrants outstanding #	Weighted average remaining life (years)	Weighted average exercise price $
0.56	1,777,778	0.58	0.56
2.20	1,436,617	0.03	2.20
	3,214,395	**0.33**	**1.29**

On October 11, 2018, the Company issued 1,431,250 warrants as part of the previously disclosed private placement on the same date. In addition, the Company issued 5,367 broker warrants containing the same exercise terms as the private placement warrants (see Issued Share Capital above). The broker warrants had a fair value of $6,700 using the Black-Scholes option pricing model with the following assumptions: i) exercise price: $2.20; ii) share price: $2.04; iii) term: 2 years; iv) volatility: 111%; v) risk-free rate: 0.66 %. The value of these broker warrants was included in reserves for the year ended September 30, 2019.

6. Loss per share

The calculation of basic and diluted loss per share for the year ended September 30, 2020 was based on the loss attributable to common shareholders of $1,374,989 (2019 - $2,370,499) and a weighted average number of common shares outstanding of 13,834,623 (2019 – 12,119,079).

All options and warrants were excluded from the diluted weighted average number of common shares calculation, as their effect would have been anti-dilutive.

7. Related party payables and transactions

A number of key management personnel and directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. There were no loans to management personnel or Directors, or entities over which they have control or significant influence, during the years ended September 30, 2020 or September 30, 2019.

Meris Kott, the Company's President and CEO receives a monthly consulting fee and incentive stock options. All other key management personnel and directors receive no salaries, non-cash benefits (other than incentive stock options), or other remuneration directly from the Company, other than noted below, and there are no employment contracts with them that cannot be terminated without penalty on thirty days notice. Key management personnel and directors participate in the Company's stock option plan.

Stock options were granted during the year ended September 30, 2020 and September 30, 2019 to Directors and Officers which had a fair value on grant date of $31,000 (2019 - $291,892).

(Expressed in Canadian Dollars)

7. Related party payables and transactions (continued)

The Company transacted with the following related parties:

(a) 1060606 BC Ltd. ("106 BC Ltd.") is a consulting firm over which the CEO of the Company has significant influence and ownership. Charges are for consulting, travel, office rent and administration.

(b) Kelly McQuiggan was a former CFO. He is a consultant of Invictus Accounting Group LLP ("Invictus") a firm in which he has influence. Invictus provided the Company with professional services.

(c) Ryan Cheung was the former CFO. He is owner of MCPA Services Inc. ("MCPA"). MCPA provided the Company with professional services.

(d) Stephen Brohman is the Company's CFO. He is a principal of Donaldson Brohman Martin CPA Inc. ("DBM CPA"), a firm in which he has significant influence. DBM CPA provides the Company with professional services.

The aggregate value of transactions and outstanding balances with key management personnel and Directors and entities over which they have control or significant influence were as follows:

	Transactions Year ended September 30, 2020 $	Transactions Year ended September 30, 2019 $	**Balances outstanding September 30, 2020 $**	Balances outstanding September 30, 2019 $
106 BC Ltd.				
- consulting services	120,000	325,696	89,991	-
- travel	-	106,400	-	-
- rent and administration	-	7,194	-	-
	120,000	439,290	89,991	-
Amanda de Freitas	-	40,000	-	40,000
Meris Kott	-	-	17,150	-
DBM CPA	35,425	-	32,425	-
Invictus	-	10,763	-	9,013
MCPA	-	18,950	-	-

All related party balances are unsecured and are due within thirty days without interest.

The transactions with the key management personnel and Directors are included in operating expenses as follows:

(a) Consulting service
- Includes Meris Kott fee related to consulting.

(b) Professional fees
- Includes the accounting services of Company's former CFO's, Ryan Cheung and Kelly McQuiggan, charged to the Company by MCPA and Invictus.
- Includes the accounting services of the Company's current CFO, Stephen Brohman, charged to the Company by DBM CPA.

(Expressed in Canadian Dollars)

8. Income taxes

The provision for income tax, both current and deferred, differs from the amount calculated by applying the combined expected federal and provincial rate to profit before taxes. The reasons for these differences are as follows:

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2020		2019
Loss for the year	$	(1,374,989)	$	(2,370,499)
Expected income tax (recovery)	$	(371,000)	$	(640,000)
Change in statutory, foreign tax, foreign exchange rates and other		(3,000)		748,000
Permanent differences		324,000		77,000
Losses expired due to change in business		-		-
Share issue cost		(8,000)		(8,000)
Change in unrecognized deductible temporary differences		58,000		(177,000)
Total income tax recovery	**$**	**-**	**$**	**-**

As of September 30, 2020, the Corporation has approximately the following tax pools available as a deduction from future income at the prescribed tax rates. These tax pools are subject to confirmation by income tax authorities:

	2020	Expiry Date Range	2019	Expiry Date Range
Temporary Differences				
Share issue costs	18,000	2040 to 2043	24,000	2040 to 2043
Allowable capital losses	147,000	No expiry date	147,000	No expiry date
Non-capital losses available for future periods	2,905,000	2026 to 2039	2,928,000	2026 to 2039

As of September 30, 2020, the Company has non-capital losses of $2,905,000 (September 30, 2019 - $2,928,000) available to carry forward to reduce future years' taxable income.

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

(Expressed in Canadian Dollars)

9. Supplemental cash flow information

Changes in non-cash operating working capital during the years ended September 30, 2020 and September 30, 2019 were comprised of the following:

	September 30, 2020	September 30, 2019
	$	$
Receivables and prepayments	(19,470)	140,307
Accounts payable and accrued liabilities	104,999	(189,839)
Net change	**85,529**	(49,532)

During the years ended September 30, 2020 and September 30, 2019, there were non-cash investing activities.

The Company issued 1,125,000 shares at a deemed price of $0.24 per common share for consideration of an 18% membership interest in SSTC at a deemed value of $270,000 (Note 3). There were no non-cash financing activities during the year ended September 30, 2020.

During the years ended September 30, 2020 and September 30, 2019 there were no amounts paid on account of interest or income taxes.

10. Financial risk management

Capital management

The Company is a merchant bank and considers items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. The Company’s capital structure as at September 30, 2020 is comprised of shareholders’ equity (deficit) of ($260,655) (September 30, 2019 - $609,787). There were no changes to the Company’s management of capital during the year ended September 30, 2020.

The Company currently has no source of revenues except for interest received from convertible loans. In order to fund future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to borrow or raise additional financing from equity markets.

(Expressed in Canadian Dollars)

10. Financial risk management (continued)

Financial instruments - fair value

The Company's financial instruments consist of cash, receivables, convertible loans receivable, and accounts payable and accrued liabilities.

The carrying value of accounts payable and accrued liabilities approximates their fair value because of the short-term nature of these instruments.

Financial instruments measured at fair value on the statements of financial position are summarized into the following fair value hierarchy levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $	Level 2 $	Level 3 $	Total $
September 30, 2020				
Cash	3,999	-	-	3,999
Convertible loans receivable	-	-	-	-
	3,999	**-**	**-**	**3,999**
September 30, 2019				
Cash	18,280	-	-	18,280
Convertible loans receivable	-	-	726,886	726,886
	18,280	-	726,886	745,166

Within Level 3, the Corporation includes the convertible loans receivable and private company investments. The key assumptions driving the valuation of the private company investments include, but are not limited to, the value at which a recent financing was completed by the investee, significant changes in general market conditions and company specific information. For those investments valued based on general market condition and company specific information, these inputs can be highly judgmental. A +/- 25% change in the fair value of these investments will result in a corresponding +/- $nil (2019 - $181,750) change to the total fair value of the investments. While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different circumstances.

The fair value of the convertible loans receivable, which is not traded in an active market, is determined by discounting the stream of future interest and principal repayments at the rate of interest prevailing the balance sheet date for instruments of similar term and risk, and adding this value to the value of the convertibility feature which is estimated using a Black-Scholes model based on assumptions including risk free interest rate, expected dividend yield, expected volatility and expected remaining life of the convertible loans receivable.

Management estimates that the market interest rate on similar borrowing without the conversion feature was approximately 25% and has used an implied volatility of 87.35% in valuing the convertibility feature. Holding all other variables constant, a fluctuation in interest rates of 1% would have impacted the valuation by approximately $5,000 while a fluctuation in the implied volatility use of 25% would have impacted the valuation by approximately $1,000.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Corporation's view of expected future changes in the fair value of these investments. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

10. Financial risk management (continued)

Financial instruments - risk

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, and liquidity risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank account. All of its cash is deposited in a bank account held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The maximum exposure to credit risk is the carrying amount of the Company's financial instruments.

b) Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to significant foreign exchange risk.

b) Liquidity risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time.

Historically, the Company's main source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

11. Subsequent event

On January 22, 2020, the Company consolidated the Company's issued share capital on a ratio of four (4) old common shares for every one (1) new post-consolidated common share. All current and comparative references to the number of common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to this Share Consolidation. Additionally, the Company changed their name to Global Wellness Strategies Inc.