BIG SKY PETROLEUM CORPORATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 and 2018

(Expressed in US Dollars)

Contents

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BIG SKY PETROLEUM CORPORATION

Opinion

We have audited the financial statements of Big Sky Petroleum Corporation (the "Company"), which comprise:

- the statements of financial position as at December 31, 2019 and 2018;
- the statements of comprehensive loss for the years then ended;
- the statements of changes in shareholders' deficiency for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 audits 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $59,250 during the year ended December 31, 2019 and, as of that date, the Company's current and total liabilities exceeded its current and total assets by $154,873. 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 Management's Discussion & Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audits 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 audits, and remain alert for indications that the other information appears to be materially misstated.

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We obtained the Management's Discussion & Analysis prior to the date of this auditors' report. If based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' 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 IFRS, 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.

Auditors' 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 auditors' 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.

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- 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 auditors' 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 auditors' 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 auditors' report is Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 6, 2020

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BIG SKY PETROLEUM CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31
(Expressed in US dollars)

	Notes		2019		2018
Assets					
Accounts receivable		$	2,120	$	1,862
Cash			22,801		39,792
Total current assets			24,921		41,654
Total assets		$	24,921	$	41,654
Shareholders' deficiency					
Share capital	4	$	10,561,318	$	10,559,429
Reserves	4		1,346,037		1,351,889
Deficit			(12,062,228)		(12,002,978)
Total shareholders' deficiency			(154,873)		(91,660)
Liabilities					
Due to related parties	5		119,699		75,648
Accounts payable and accrued liabilities			60,095		57,666
Total current liabilities			179,794		133,314
Total shareholders' deficiency and liabilities		$	24,921	$	41,654

These financial statements are authorized for issue by the Board of Directors on April 6, 2020.

They are signed on the Company’s behalf by:

/s/Desmond M. Balakrishnan
Director

/s/Sean Bromley
Director

See notes to financial statements

BIG SKY PETROLEUM CORPORATION

STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in US dollars)

	Notes		For the year ended December 31, 2019		2018
General and administrative expenses					
Accounting, audit and legal fees	5	$	22,659	$	39,878
Consulting fees	5		27,133		23,163
Stock based compensation			-		15,653
Transfer agent, listing and filing fees			8,471		9,232
Investor relations			1,030		-
Office and administrative			520		84
			(59,813)		(88,010)
Other items					
Interest income			563		377
			563		377
Net loss for the year			(59,250)		(87,633)
Exchange differences on translation due to presentation currency			(5,852)		21,614
Total comprehensive loss for the year		$	(65,102)	$	(66,019)
Basic and diluted loss per share from continuing operations		$	(0.01)	$	(0.02)
Weighted average number of common shares outstanding			12,446,379		12,427,064

See notes to financial statements

BIG SKY PETROLEUM CORPORATION

STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31
(Expressed in US dollars)

			Reserves				
	Number of Shares	Share Capital	Stock-based Compensation	Finder's Warrants	Foreign Currency Translation	Deficit	Total Shareholders' Deficiency
Balance as at December 31, 2017	2,427,067	$ 10,190,960	$ 398,347	$ 686,976	$ 229,299	$ (11,915,345)	$ (409,763)
Net loss and comprehensive loss for the year	-	-	-	-	21,614	(87,633)	(66,019)
Shares issued upon conversion of special warrants	9,999,997	380,650	-	-	-	-	380,650
Share issuance costs	-	(12,181)	-	-	-	-	(12,181)
Stock-based compensation	-	-	15,653	-	-	-	15,653
Balance as at December 31, 2018	**12,427,064**	**$ 10,559,429**	**$ 414,000**	**$ 686,976**	**$ 250,913**	**$ (12,002,978)**	**$ (91,660)**
Net loss and comprehensive loss for the year	-	-	-	-	$ (5,852)	(59,250)	(65,102)
Warrants exercised	50,000	1,889	-	-	-	-	1,889
Balance as at December 31, 2019	**12,477,064**	**$ 10,561,318**	**$ 414,000**	**$ 686,976**	**$ 245,061**	**$ (12,062,228)**	**$ (154,873)**

See notes to financial statements

BIG SKY PETROLEUM CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in US dollars)

	2019	2018
Operating activities		
Net loss for the year	$ (59,250)	$ (87,633)
Items not involving cash:		
Stock based compensation	-	15,653
Changes in non-cash working capital items:		
Accounts receivable	(164)	(1,278)
Due to related parties	39,608	47,850
Accounts payable and accrued liabilities	159	(316,968)
Net cash used in operating activities	(19,647)	(342,376)
Financing activities		
Proceeds from Private Placement	-	380,650
Share Issue Costs	-	(12,181)
Proceeds from exercise of warrants	1,889	-
Net cash provided by financing activities	1,889	368,469
Effects of exchange rate changes	767	2,439
Change in cash	(16,991)	28,532
Cash, beginning of the year	39,792	11,260
Cash, end of the year	$ 22,801	$ 39,792

See notes to financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Big Sky Petroleum Corporation (the "Company") was incorporated under the *Canada Business Corporations Act* on February 3, 2006 and, effective July 6, 2009, changed its continuance out of the federal jurisdiction into the British Columbia jurisdiction under the *Business Corporations Act* (British Columbia). The Company's shares trade under the symbol "BSP.H" on the NEX Board of the TSX Venture Exchange (the "Exchange").

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. However, there are several conditions that may cast significant doubt on the Company's ability to continue as a going concern, including that, to date, the Company has not earned revenues and is not engaged in any active business. The Company reported a net loss of $59,250 for the year ended December 31, 2019 (2018 - $87,633) and had an accumulated deficit of $12,062,228 (2018 - $12,002,978) and working capital deficiency of $154,873 as at December 31, 2019 (2018 - $91,660). The Company has no source of operating revenues and its capacity to operate as a going concern in the near-term will likely depend on its ability to continue raising equity financing.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statements of financial position. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments could be material.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that current market conditions may impact the ability to source such funds. Subsequent to December 31, 2019, the Company signed a letter of intent with Pure Extract Technologies Inc. ("Pure") pursuant to which the Company will acquire all of the outstanding shares of Pure (Note 9).

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB").

These financial statements have been prepared on a historical cost basis, except for certain financial instruments. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies set out in Note 3 have been applied consistently in all material respects.

2. BASIS OF PREPARATION (Continued)

The financial statements of the Company as at December 31, 2019 and 2018 and for the years then ended were approved and authorized for issue by the Board of Directors on April 6, 2020.

(b) New and future accounting pronouncement

At the date of authorization of these financial statements, the IASB and International Financial Reporting Interpretation Committee have issued the following new and revised standards and interpretations, which are effective for the current and future reporting periods. The new and revised standards applicable to the Company are as follows:

Accounting standards issued and effective for the current period

IFRS 16 Leases ("IFRS 16")

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*. The adoption of IFRS 16 did not impact the Company's financial statements as it does not have any leases.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2019 reporting period. The Company has not early adopted the following new and revised standards, amendments and interpretations:

IFRIC 23 Uncertainty over Income Tax Treatments ("IFRIC 23")

This new interpretation, issued by the IASB in June 2017, clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments.

The main features of IFRIC 23 are as follows:

- An entity considers an uncertain tax treatment separately or together with other uncertain tax treatments depending on which approach better predicts the resolution of the uncertainty.
- Taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates are determined based on whether it is probable that a taxation authority will accept an uncertain tax treatment.
- An entity reassesses judgments or estimates relating to uncertain tax treatments when facts and circumstances change.

The new standard is effective for the Company's annual periods beginning January 1, 2021.

2. BASIS OF PREPARATION (Continued)

(b) New and future accounting pronouncement (Continued)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)

Amends and to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- requires full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in Business Combinations).
- requires the partial recognition of gains and losses where the assets do not constitute a business, i.e., a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g., whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The effective date of the amendments to IFRS 10 and IAS 28 issued by the IASB in September 2014 has been deferred indefinitely, with earlier application permitted.

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

(c) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting year. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

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

Functional currency

In concluding that the Canadian dollar is the functional currency of the Company, management considered both the funds from financing activities and the currency in which goods and services are paid. The Company chooses to report in US dollars as the presentation currency.

2. BASIS OF PREPARATION (Continued)

(c) Significant accounting judgments and estimates (Continued)

Going concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Income taxes

Income assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time. The Company believes that its accruals for tax balances are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. These differences could materially impact net income (loss).

Stock-based compensation

The fair value of stock-based compensation is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currencies

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar, and accounts denominated in currencies other than the Canadian dollar have been translated as follows:

- Monetary assets and liabilities, at the exchange rate at the statement of financial position date;
- Non-monetary assets and liabilities, at the historical exchange rates, unless such items are carried at fair value, in which case they are translated at the date when the fair value was determined;
- Shareholders’ equity items, at historical exchange rates; and
- Revenue and expense items, at the rate of exchange in effect on the transaction date.

The Company’s presentation currency is the US dollar. For presentation purposes, all amounts are translated from the Canadian dollar functional currency to the US dollar presentation currency for each period using the exchange rate at the end of each reporting period for the statement of financial position. Revenues and expenses are translated on the basis of average exchange rates during the year.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Foreign currencies (Continued)

Exchange gains and losses arising from translation to the Company's presentation currency are recorded as exchange differences on translation to presentation currency, which is included in other comprehensive loss.

(b) Financial instruments

Financial assets

Initial recognition and measurement

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Assessment and decision on the business model approach used is an accounting judgement.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets measured at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in profit or loss.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

Financial assets measured at amortized cost

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- the asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Financial instruments (Continued)

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Derecognition

A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets is derecognized when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

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

(c) Stock-based compensation

The share option plan allows the Company's directors, management, employees, agents and consultants to acquire shares of the Company. The fair value of options granted is recognized as a stock-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Stock-based compensation (Continued)

The fair value of the option award is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(d) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company, in addition to the proportionate amount of reserves originally created at the issuance of the stock options or warrants. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance.

The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of the common share at the announcement date of the unit offering and any residual value is allocation to common share purchase warrant

(e) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(f) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax is recorded providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the period-end date.

(Expressed in US dollars, unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income taxes (Continued)

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 and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4. SHARE CAPITAL AND RESERVES

(a) Authorized

The Company has authorized share capital of an unlimited number of common shares without par value.

(b) Issued and outstanding

During the year ended December 31, 2019, the Company issued 50,000 common shares by way of warrant exercise for total proceeds of CDN$2,500.

On August 13, 2018, the Company completed a private placement of up to 9,999,997 share units at a deemed price of CDN$0.05 for gross proceeds of $380,650 (note 4(c)). Each unit consists of one common share and one common share warrant. Each warrant entitles the holder to acquire one share at a price of CDN$0.05 per share for a period of 12 months from the date of issuance. The Company incurred $12,181 in issuance costs.

(c) Warrants and special warrants

On August 8, 2019, the Company issued 50,000 shares, as 50,000 of warrants were exercised at a CDN$0.05 price per share for the total proceeds of CDN$2,500. The remainder of the warrants have expired.

On August 13, 2018, the Company issued 9,999,997 special warrants at CDN$0.05 per special warrant. Each special warrant automatically converted into one unit, without additional consideration. Each unit consists of one common share and one common share purchase warrant, which entitles the holder to acquire one common share at a price of CDN$0.05 per share for a period of 12 months from the date of issuance. As a result of the conversion of the special warrants, 9,999,997 warrants were issued with the common shares for an exercise price and weighted average price of $0.05 per share.

A summary of the Company's warrants as at December 31, 2019 is as follows:

Expiry date		Exercise price ($CDN)	Issued	2018-12-31	Exercised	Expired	2019-12-31
August 13, 2018	$	0.05	9,999,997	9,999,997	50,000	9,949,997	-
Warrants outstanding			-	9,999,997	-	-	-

(Expressed in US dollars, unless otherwise indicated)

4. SHARE CAPITAL AND RESERVES (Continued)

(d) Stock options

The Company has established a stock option plan that is administered by the Board of Directors of the Company with stock options granted to directors, management, employees, management company employees, agents and consultants. The number of common shares reserved for issuance of stock options is limited to a maximum of 10% of the total number of issued and outstanding shares. All options granted to date, vested immediately upon granting.

Stock option transaction and the number of stock options are summarized as follows:

Expiry date	Exercise Price ($CDN)	December 31, 2017	Expired/ Cancelled	Granted	December 31, 2018	Expired/ Cancelled	Granted	December 31, 2019
January 7, 2018	$ 3.00	4,000	(4,000)	-	-	-	-	-
June 22, 2023	$ 0.088	-	-	240,000	240,000	-	-	240,000
Options outstanding and exercisable		4,000	(4,000)	240,000	240,000	-	-	240,000
Weighted average exercise price ($CDN)		$ 3.00	$ 3.00	$ 0.088	$ 0.088	$ -	$ -	$ 0.088

As at December 31, 2019 the weighted average remaining contractual life of the stock options was 3.48 (2018 – 4.48) years. The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted using the following assumptions:

	2019	2018
Dividend yield	N/A	Nil
Annualized volatility	N/A	120%
Risk-free interest rate	N/A	1.94%
Expected life	N/A	5 years

Volatility has been calculated based on the historical volatility of the Company.

(Expressed in US dollars, unless otherwise indicated)

5. RELATED PARTY TRANSACTIONS AND BALANCES

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

For the year ended December, 2019	Administrative expenses	Stock-based compensation	Total
Companies controlled by Chief Executive Officer, President and influenced by a Director *	$ 40,639	$ -	$ 40,639
Total	$ 40,639	$ -	$ 40,639

For the year ended December 31, 2018	Administrative expenses	Stock-based compensation	Total
Companies controlled by Chief Executive Officer, President and a Director *	$ 51,776	$ -	$ 51,776
Total	$ 51,776	$ -	$ 51,776

* Included in accounting, audit and legal fees in the statements of comprehensive loss.

Due to related parties	Services for	December 31, 2019	December 31, 2018
Company influenced by a director	Legal	$ 55,027	$ 45,595
Company controlled by a director	Accounting	10,779	8,063
Company controlled by a director	Consulting	53,893	21,990
Total		$ 119,699	$ 75,648

Amounts due to related parties have no specific terms of repayment and are non-interest-bearing.

(Expressed in US dollars, unless otherwise indicated)

6. INCOME TAXES

(a) Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27% to income before income taxes. The reasons for the differences are as follows:

	2019	2018
Net loss	$ (59,250)	$ (87,633)
Statutory income tax rate	27%	27%
Expected income tax recovery	(15,998)	(23,661)
Items not deductible for tax purposes	-	(2,539)
Temporary differences	(651)	-
Effect of changes in tax rates	-	4,554
Unused tax losses and tax offsets not recognized	16,649	21,646
	$ -	$ -

(b) The Company recognizes tax benefits on losses or other deductible amounts generated in countries where it is probable the Company will generate sufficient taxable income for the recognition of deferred tax assets.

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2019	2018
Non-capital losses	$ 2,308,000	$ 2,226,000
Share issue costs	7,392	9,383
	$ 2,315,392	$ 2,235,383

Non-capital losses, expiring as follows:

Available to	Total
2026	$ 17,000
2027	32,000
2028	89,000
2029	89,000
2030	89,000
2031	689,000
2032	308,000
2033	325,000
2034	184,000
2035	179,000
2036	69,000
2037	68,000
2038	88,000
2039	82,000
	$ 2,308,000

6. INCOME TAXES (Continued)

(b) (Continued)

In addition, the Company has approximately CAD $1.2 million of net capital losses available which can be carried forward indefinitely to be offset against capital gains.

7. FINANCIAL INSTRUMENTS

The fair values of the Company's accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of these instruments. The Company's cash is valued based on quoted market prices.

Amounts due to related parties approximate their fair value, as they are due on demand.

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

(a) Foreign currency risk

The Company is not affected by changes in exchange rates between the Canadian dollar and US dollar, since the Company does not have any USD monetary assets or liabilities and did not transact in USD. The Company is not exposed to significant foreign currency risk.

(b) Credit risk

The Company's cash is held in a Canadian financial institution. Credit risk is managed by using major banks that are high credit quality financial institutions as determined by ratings agencies.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities and amounts due to related parties are due within twelve months of the statement of financial position date.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash is limited because they are generally held to maturity. The Company is not exposed to significant interest rate risk.

8. MANAGEMENT OF CAPITAL RISK

The Company's capital is comprised of amounts in shareholders' deficiency. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets, or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. There were no changes to the Company's approach to capital management during the year ended December 31, 2019 and the Company is not subject to any externally imposed capital requirements.

9. SUBSEQUENT EVENTS

(a) The Company signed a letter of intent ("LOI") on February 18, 2020 with Pure Extract Technologies Inc. ("Pure"), in relation to the proposed business combination ("proposed transaction") between the Company and Pure. The proposed transaction is to be completed by way of an acquisition by the Company of all the outstanding shares of Pure in exchange for the Company's common shares, in a transaction that will constitute a reverse takeover of the Company. The LOI sets out indicative transaction terms in order that, among other things, the Company and Pure ("Parties") may proceed to negotiate and settle the terms of a definitive agreement, during its exclusive dealing period until its termination date on September 30, 2020. Both Parties will mutually agree upon the final structure for proceeding with the proposed transaction following completion of due diligence and a review of tax, accounting, corporate and securities law issues in a manner which best achieves the objectives of certainty of execution, tax efficiency and avoidance of unnecessary expense or complexity.

The proposed transaction is expected to be affected by way of a three-cornered amalgamation without court approval under the provisions of the *Business Corporations Act* (British Columbia) (the BCBCA). Pure will amalgamate with a newly incorporated wholly owned subsidiary of the Company and will become a wholly owned subsidiary of the Company on completion of the proposed transaction, and the shareholders of Pure will exchange their shares in Pure for common shares of the Company. Upon completion of the proposed transaction, the resulting issuer will continue on with the business of Pure.

The resulting issuer intends to voluntarily delist its common shares from the NEX Board of the Exchange and apply for listing on the Canadian Securities Exchange.

In connection with the proposed transaction, Pure will conduct an equity financing for a minimum of $5 million.

Prior to the closing of the proposed transaction, the Company will change its name to "Pure Extract Technologies Corp." and will complete a consolidation of the issued common share capital on the basis of 1 new common share for each 10 old common shares.

9. SUBSEQUENT EVENTS (Continued)

(b) Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.