PURE EXTRACTS TECHNOLOGIES CORP.
(formerly known as Big Sky Petroleum Corporation)

LISTING STATEMENT
FORM 2A

October 30, 2020

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Cautionary Note Regarding Forward-Looking Statements

This Listing Statement contains forward-looking information (collectively, "**forward-looking information**"), which includes disclosure regarding possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates", "projects", "budgets", "forecasts" or "does not anticipate", or "believes", or variations of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Examples of such forward-looking information in this Listing Statement includes disclosure relating to the following:

- the Corporation's business and operations;
- the Corporation's anticipated revenues and cash flows from operations and consequent funding requirements;
- the funds available to the Corporation and the principal purposes of those funds;
- the Corporation's business objectives and discussion of trends affecting the business of the Corporation; and
- the Corporation's anticipated operating expenses.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking information contained in this Listing Statement. The forward-looking information in this Listing Statement is based on a number of assumptions that may prove to be incorrect, including, but not limited to the following:

- general economic conditions;
- the ability of the Corporation to accurately assess and anticipate trends in its industry;
- the ability of the Corporation to realize its business objectives and manage its cash flow;
- the Corporation's ability to maintain a competitive position;
- the ability of the Corporation to obtain any necessary financing; and
- the ability of the Corporation to maintain current operating expenses.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Some of these risks, include, but are not limited to the following: regulatory risks, regulatory approvals, permits and licenses, changes in laws, regulations and guidelines, risks related to the corporation's facilities, environmental risk and regulation, the Canadian cannabis market, limited operating history, volatile stock price, energy costs, shelf life inventory, reliance on management, conflicts of interest, insurance and uninsured risks, business in new industries, dependence on suppliers and skilled labour, difficulty to forecast, additional financing, management of growth, internal controls, liquidity, dilution, litigation, inability to protect intellectual property rights, risks associated with potential entry into psychoactive product market legislative or regulatory reform, unfavourable publicity or consumer perception, development of brands, products and services, entry bans into the United States, product liability, product recalls, competition, client acquisition and retention, transportation risks, market unpredictability, fraudulent or illegal activity, reliance on information technology systems and cyberattacks.

The factors identified above are not intended to represent a complete list of the factors that could affect the Corporation. Additional risk factors are noted under the heading “Risk Factors”.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results, performance or achievement may vary materially from those expressed or implied by the forward-looking information contained in this Listing Statement. These risk factors should be carefully considered and readers are cautioned not to place undue reliance on forward-looking information, which speaks only as of the date of this Listing Statement. The Corporation does not undertake any obligation to release publicly any revisions to this forward-looking information to reflect events or circumstances that occur after the date of this Listing Statement or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Market and Industry Data

This Listing Statement includes market and industry data that has been obtained from third party sources, including industry publications. The Corporation believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, the Corporation has not independently verified any of the data from third party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

1. GLOSSARY OF TERMS

The following is a glossary of certain general terms used in this Listing Statement including the summary hereof. Terms and abbreviations used in the financial statements included in or appended to this Listing Statement are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

"**ACMPR**" means the Access to Cannabis for Medical Purposes Regulations (Canada) pursuant to the *Controlled Drugs and Substances Act* (Canada).

"**Acquireco**" means 1270233 B.C. Ltd., which was a wholly-owned subsidiary of the Corporation incorporated for the purpose of carrying out the Amalgamation and which amalgamated with Pure to form Amalco pursuant to the Amalgamation Agreement.

"**Affiliate**" means a corporation that is affiliated with another corporation as described below. A corporation is an "**Affiliate**" of another corporation if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same Person.

A corporation is "**controlled**" by a Person if:

(a) voting securities of the corporation are held, other than by way of security only, by or for the benefit of that Person; and

(b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the corporation.

A Person beneficially owns securities that are beneficially owned by:

(c) a corporation controlled by that Person; or

(d) an Affiliate of that Person or an Affiliate of any corporation controlled by that Person.

"**Amalco**" means Pure Extracts Manufacturing Corp., the entity formed upon completion of the Amalgamation, which is a direct wholly-owned subsidiary of the Corporation.

"**Amalgamation Agreement**" means the agreement dated October 20, 2020 between the Corporation, Acquireco, and Pure in respect of the Amalgamation.

"**Amalgamation**" means the amalgamation of Acquireco and Pure, pursuant to the terms of the Amalgamation Agreement.

"**ASME**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – General Product Development Process – Extraction Methods*".

"**Asset Purchase Agreement**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – History of the Business*".

"**Associate**" when used to indicate a relationship with a Person, means:

(e) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;

(f) any partner of the Person;

(g) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity; or

(h) in the case of a Person who is an individual:

    (i) that Person's spouse or child, or

    (ii) any relative of the Person or of his spouse who has the same residence as that Person.

"**BCBCA**" means the *Business Corporations Act* (British Columbia).

"**BC Cannabis Act**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – Regulatory Framework – Provincial and Territorial Developments*".

"**Big Sky**" means the Corporation prior to the completion of the Amalgamation.

"**Board of Directors**" means the board of directors of the Corporation.

"**Cannabis Act**" means Bill C-45, *An Act respecting cannabis and to amend the Controlled Drug* and *Substances Act*, the *Criminal Code and other Acts* (Canada).

"**Cannabis Regulations**" means the Cannabis Regulations (SOR/2018-144) promulgated under the Cannabis Act.

"**CBD**" means cannabidiol.

"**CDSA**" means the *Controlled Drugs and Substances Act* (Canada).

"**Common Shares**" means common shares in the capital of the Corporation.

"**Convertible Notes**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – Financings*".

"**Corporation**" means Pure Extracts Technologies Corp. (formerly Big Sky Petroleum Corporation), a company incorporated under the *Canada Business Corporations Act* and continued into British Columbia under the *Business Corporations Act* (British Columbia) on July 6, 2009, upon completion of the Amalgamation.

"**CSA**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – General Product Development Process – Extraction Methods*".

"**CSE**" means the Canadian Securities Exchange.

"**CSE Policies**" means the rules and policies of the CSE in effect as of the date hereof.

"**Customer**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – History of the Business*".

"**DSD**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – History of the Business*".

"**DSD Assets**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – History of the Business*".

"**Effective Date**" means the effective date of the Amalgamation, being October 28, 2020.

"**Escrow Agreement**" means the escrow agreement entered into by the Corporation and certain securityholders of the Corporation in compliance with the requirements of the CSE.

"**EU-GMP**" means European Union Good Manufacturing Practices ("**EU-GMP**") standards.

"**GMP**" means good manufacturing practices, a system for ensuring that products are consistently produced and controlled according to quality standards.

"**IHR**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – Regulatory Framework – Federal Developments*".

"**Industrial Hemp**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – Regulatory Framework – Federal Developments*".

"**LDB**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – Regulatory Framework – Provincial and Territorial Developments*".

"**License Agreement**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – History of the Business*".

"**Licensed Producer**" means the holder of license issued by Health Canada authorizing the cultivation, processing or sale of cannabis and cannabis products.

"**Listing Statement**" means this CSE Form 2A Listing Statement of the Corporation, including the schedules hereto, prepared in support of the listing of the Common Shares on the CSE.

"**Minister**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – Regulatory Framework – Federal Developments*".

"**Natural Health Products**" means natural health products (NHPs) regulated under the Natural and Nonprescription Health Products Directorate (NNHPD) and the *Natural Health Product Regulations under the Food and Drug Act* (Canada).

"**NP 46-201**" means National Policy 46-201 – *Escrow for Initial Public Offerings*.

"**Option Plan**" means the 15% rolling stock option plan of the Corporation as more particularly described under "Options to Purchase Securities".

"**Options**" means the stock options of the Corporation which are outstanding under the Stock Option Plan.

"**Pemberton Facility**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – Overview*".

"**Performance Securities**" means the rights of the Corporation which are issued and outstanding and which become exercisable on the satisfaction of certain conditions.

"**Person**" means any individual, corporation, company, partnership, unincorporated association, trust, joint venture, governmental body or any other legal entity whatsoever.

"**Processing License**" has the meaning ascribed to it under the heading "*Narrative Description of Business – Overview*"

"**Pure**" means Pure Extract Technologies Inc., which amalgamated with Acquireco to form Amalco pursuant to the Amalgamation Agreement.

"**Pure Options**" means the options to purchase Pure Shares which were issued and outstanding prior to the Amalgamation and which were exchanged for Options pursuant to the Amalgamation.

"**Pure Performance Securities**" means the rights of Pure which were issued and outstanding prior to the Amalgamation, which were exchanged for the Performance Securities pursuant to the Amalgamation.

"**Pure Shares**" means common shares in the capital of Pure.

"**Pure Shareholders**" means the former holders of Pure Shares.

"**Pure Warrants**" means the share purchase warrants of Pure which were issued and outstanding prior to the Amalgamation, and which were exchanged for Warrants pursuant to the Amalgamation.

"**R&D**" means research and development.

"**Service Providers**" has the meaning ascribed to it under the heading "*Options to Purchase Securities*".

"**Shareholders**" means shareholders of the Corporation.

"**SOP**" means standard operating procedures.

"**Taste-T**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – History of the Business*".

"**Toll Service Agreements**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – History of the Business*".

"**THC**" means delta-9-tetrahydrocannabinol.

"**TSXV**" means the TSX Venture Exchange.

"**Vitalis**" has the meaning ascribed to it under the heading "*Narrative Description of the Business – General Product Development Process – Extraction Methods*".

"Warrants" means the share purchase warrants of the Corporation which are issued and outstanding.

2. CORPORATE STRUCTURE

Corporate Name and Head and Registered Office

The head office of the Corporation is located at 7341 Industrial Way, Pemberton, B.C. V0N 2K0 and its registered office is located at 1500-1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

Jurisdiction of Incorporation

The Corporation was incorporated on February 3, 2006 under the name "Waverley Biotech Inc." under the *Canada Business Corporations Act*. Effective July 6, 2009, the Corporation continued into British Columbia under the *Business Corporations Act* (British Columbia). On August 18, 2008, the Corporation changed its name to "Fox Resources Ltd." and subsequently on December 1, 2011 changed its name to "Big Sky Petroleum Corporation". On October 28, 2020 the Corporation changed its name to "Pure Extracts Technologies Corp." in connection with the Amalgamation.

The Corporation's Common Shares were previously listed on the NEX Board of the TSXV under the trading symbol "BSP.H". Trading was halted on February 19, 2020 pending announcement of the Amalgamation and the Common Shares were voluntarily delisted from the NEX Board of the TSXV on October 27, 2020.

Pure was incorporated under the *Business Corporations Act* (British Columbia) on May 2, 2018 under the name PurePulls Technology Corp. On November 28, 2018, it changed its name to "Pure Extract Technologies Inc."

Inter-corporate Relationships

The Corporation has one wholly-owned subsidiary, Pure Extracts Manufacturing Corp., which was formed pursuant to the Amalgamation of Acquireco and Pure. See "General Development of the Business – The Amalgamation".

Fundamental Change

See Item 3 – *General Development of the Business – The Amalgamation.*

Non-corporate Issuers and Issuers incorporated outside of Canada

This section is not applicable to the Corporation.

3. GENERAL DEVELOPMENT OF THE BUSINESS

Prior to the Effective Date of the Amalgamation, Big Sky was a junior oil and gas issuer that had been inactive for the past several years. On August 31, 2017, Big Sky sold all its former wholly-owned subsidiaries, along with the related assets and liabilities, to an arm's length private company for approximately $14,000.

Big Sky's Common Shares were previously listed on the NEX Board of the TSXV under the trading symbol "BSP.H". Trading was halted on February 19, 2020 pending announcement of the Amalgamation and the Common Shares were voluntarily delisted from the NEX Board of the TSXV on October 27, 2020.

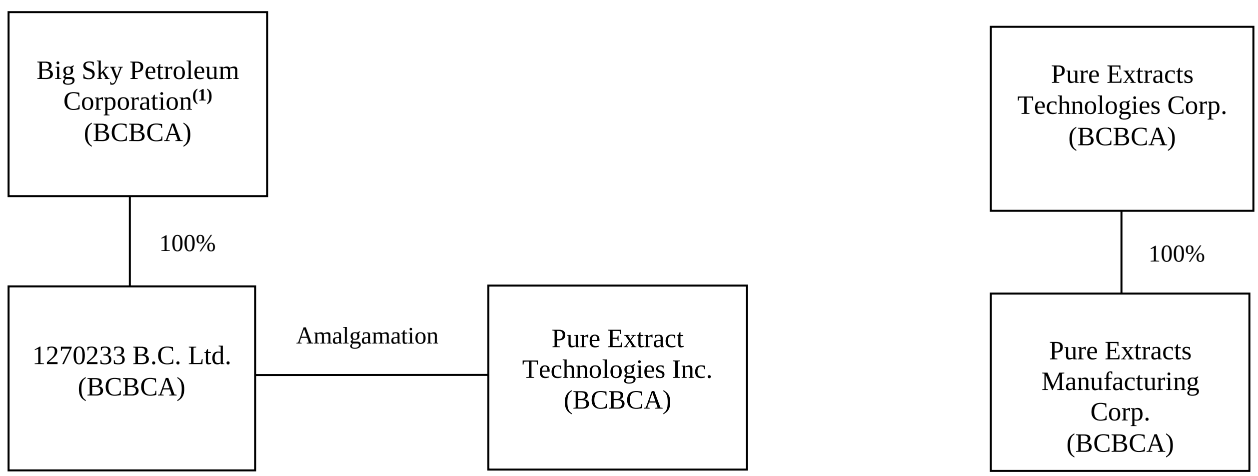
On October 20, 2020, Big Sky, Acquireco, and Pure entered into the Amalgamation Agreement in respect of the Amalgamation. The Amalgamation was completed on October 28, 2020, pursuant to which Big Sky assumed the business of Pure.

On October 28, 2020, immediately prior to the completion of the Amalgamation, Big Sky completed a consolidation of the Common Shares on the basis of one new Common Share for each six old Common Shares.

Inter-Corporate Relationships

The following chart illustrates the intercorporate relationships that exist as of the date of the Listing Statement:

Prior to the Amalgamation: After the Amalgamation:



Note:

(1) Name changed to Pure Extracts Technologies Corp..

The Amalgamation

On October 20, 2020, Big Sky entered into the Amalgamation Agreement with Acquireco and Pure, pursuant to which Big Sky acquired all of the issued and outstanding Pure Shares by way of a "three-cornered" amalgamation whereby:

(1) Acquireco and Pure amalgamated, thereby forming Amalco;

(2) each Pure Shareholder transferred their Pure Shares to the Corporation in exchange for Common Shares on the basis of 2.6666666 Common Shares for each Pure Share, resulting in an aggregate of 63,621,026 Common Shares being issued to the former Pure Shareholders;

(3) the Corporation received one fully paid and non-assessable common share of Amalco for each common share of Acquireco held by the Corporation, following which all such common shares of Acquireco were cancelled;

(4) the Corporation received, for each Common Share issued in the Amalgamation, one common share of Amalco and Amalco became a wholly-owned subsidiary of the Corporation; and

(5) Options, Warrants and Performance Securities of the Corporation were issued to the holders of the Pure Options, Pure Warrants and Pure Performance Securities, respectively, in exchange and replacement for, on an equivalent basis, such Pure Options, Pure Warrants and Pure Performance Securities, which were then cancelled.

The Amalgamation resulted in Amalco becoming a wholly-owned subsidiary of the Corporation. On October 28, 2020, concurrently with the completion of the Amalgamation, the Corporation changed its name to "Pure Extracts Technologies Corp." and Amalco continued under the name "Pure Extracts Manufacturing Corp."

The valuation ascribed to Pure in the Amalgamation was determined by arm's length negotiation between the Corporation and Pure and based in part upon Pure's pre-Amalgamation financings.

The Amalgamation was approved by the written consent of all of the Pure Shareholders and by the Corporation, in its capacity as sole shareholder of Acquireco. The Amalgamation was approved, pursuant to CSE Policies, by the written consent of greater than 50% of the Corporation's pre-Amalgamation shareholders.

See "*8. Consolidated Capitalization*" for details of the outstanding capital of the Corporation.

Significant Acquisitions and Dispositions

See *Item 3 – General Development of the Business – The Amalgamation*.

Financings

On May 14, 2018, Pure issued an aggregate 750,000 Pure Shares at a price of $0.16 per Pure Share for gross proceeds of $120,000, which were subsequently exchanged for 2,000,000 Common Shares pursuant to the Amalgamation.

Pure received loans in the aggregate principal amount of $240,000 from 1205457 B.C. Ltd. (the "**Lender**") pursuant to the terms of a convertible note dated May 7, 2019 (the "**May 2019 Note**"). In accordance with its terms, prior to the completion of the Amalgamation the May 2019 Note automatically converted into 4,500,000 Pure Shares and 4,500,000 Pure Warrants based on a conversion price of $0.05333, which Pure Shares and Pure Warrants were then exchanged for Common Shares and Warrants of the Corporation pursuant to the Amalgamation on the basis of one Common Share and one Warrant for each $0.02 of the principal amount of the May 2019 Note for an aggregate of 12,000,000 Common Shares and 12,000,000 Warrants. Each Warrant is exercisable at $0.05 per Common Share for a period of two years from the date of issue.

Pure received loans in the aggregate principal amount of $1,309,054 from the Lender pursuant to the terms of a convertible note dated June 7, 2019 (the "**June 2019 Note**"). In accordance with its terms, prior to the completion of the Amalgamation the June 2019 Note automatically converted into 6,545,270 Pure Shares based on a deemed conversion price of at $0.20, which Pure Shares were then exchanged for Common Shares of the Corporation pursuant to the Amalgamation on the basis of one Common Share for each $0.075 of the principal amount of the June 2019 Note for an aggregate of 17,454,053 Common Shares.

Pure received loans in the principal amount of $2,429,791 from the Lender pursuant to the terms of a convertible note dated December 13, 2019 (the "**December 2019 Note**") and $5,420,301 from the Lender pursuant to the terms of a convertible note dated January 22, 2020, as amended (the "**January 2020 Note**"). In accordance with their terms, prior to the completion of the Amalgamation the December 2019 Note and the January 2020 Note automatically converted into 9,812,615 Pure Shares based on a conversion price of

$0.80, which Pure Shares were then exchanged for Common Shares of the Corporation pursuant to the Amalgamation on the basis of one Common Share for each $0.30 of the principal amount of the December 2019 Note and the January 2020 Note for an aggregate of 26,166,973 Common Shares.

The May 2019 Note, June 2019 Note, the December 2019 Note and the January 2020 Note are collectively referred to herein as the "**Convertible Notes**". Upon conversion of the Convertible Notes, the Convertible Notes were deemed to have been repaid and satisfied in full and the Lender forfeited any accrued and unpaid interest on the Convertible Notes. Following the conversion of the Convertible Notes and completion of the Amalgamation, the Lender distributed the Common Shares received on conversion to debenture holders of the Lender in accordance with the terms of their debentures.

In connection with the Convertible Notes, eligible finders received finders fees in the aggregate amount of $270,477 and were issued an aggregate of 464,992 Warrants, exercisable for twenty four months from the issue date at a price of $0.50 per Common Share, subject to acceleration rights of the Corporation if the volume weighted average closing price of the Common Shares is greater than $1.00 for a period of 10 consecutive trading days.

On October 16, 2020 Pure completed a rights offering pursuant to which Pure issued 4,500,000 Pure Performance Securities. Each of the Pure Performance Securities was exercisable by the holder to purchase one Pure Share at a price of $0.0533333 per share for a period of five years from the date of issue following the completion of the listing of the Pure Shares on a recognized stock exchange, or exchange of the Pure Shares for securities listed on a recognized stock exchange. The Pure Performance Securities were exchanged for an aggregate 12,000,000 Performance Securities pursuant to the Amalgamation with an adjusted exercise price of $0.02.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

Overview

The Corporation is an integrated Canadian extraction company specializing in the processing of cannabis, hemp and functional mushrooms to produce oils and various derivative products. The Corporation was issued a standard processing license issued by Health Canada (Licence No. LIC-XHX0W8TMCO-2020 (the "**Processing License**") on September 25, 2020 which permits the Corporation to (a) possess cannabis, (b) to produce cannabis, other than obtain it by cultivating, propagating or harvesting it, and (c) to sell cannabis in accordance with subsection 17(5) of the Cannabis Regulations.

Upon receiving the Processing License, the Corporation commenced operations focused on toll processing, white labelling, and developing its own private label of products incorporating its full spectrum THC and CBD based extracted oils. The Corporation will utilize supercritical carbon dioxide (CO_2) and ethanol extraction technology to produce cannabis oils, extracts and derivative products for distribution in the Canadian recreational cannabis market. In the future the Corporation may seek to expand its business to other targeted jurisdictions where CBD products are legal and approved for sale to its adult population, although the Corporation has no immediate plans to do so and does not expect to operate in emerging markets. The Corporation is also developing functional mushroom extraction processes integrating its existing infrastructure for the purpose of commercial scale extraction services and product development.

The Corporation is in active negotiations with licensed Canadian cultivators of cannabis and hemp for orders filling its capacity for toll processing and contract manufacturing services and has signed two definitive agreements. The Corporation is also in active negotiations with Canadian functional mushroom CPG companies regarding toll processing and contract manufacturing services, but has not signed any definitive agreements. It also continues to seek out individuals who can add in-house expertise for extraction operations, post-production packaging, facilities management and professional services requirements such as cost-accounting, and further develop its customer acquisition strategy.

The Corporation's operations are located in Pemberton, British Columbia, where it has a purpose-built processing facility (the "**Pemberton Facility**"). The Pemberton Facility has been built to European Union Good Manufacturing Practices ("**EU-GMP**") standards, which will allow the Corporation, subject to obtaining any necessary permits, to export its products from the Pemberton Facility to international destinations where Cannabis is legal for recreational usage purposes. The Corporation will not directly or indirectly make any exports to the United States unless and until (i) there is a change in United States federal law with respect to cannabis and cannabis extracts and (ii) corresponding changes in Canadian laws permit the same.

Additionally, the Corporation is presently expanding its business to include functional mushrooms extraction. It is in the process of working on functional mushroom extraction processes compatible with its existing infrastructure at the Pemberton Facility. In connection with the same, the Corporation intends to apply for a Class 1 and a Class 2 Natural Health Products license from the NNHPD in Q3 of 2020, as further discussed under "Products and Services – Toll Processing" below.

Subject to the receipt of all necessary regulatory approvals, including the approval of the CSE, the Corporation may in the future make an application to Health Canada for a Dealer's License under the *Food and Drugs Regulations* (Part J) to the *Food and Drugs Act* (Canada)(the "**Dealer's License**") for controlled drugs and substances to permit the manufacture and sale of such compounds to third parties for research and clinical studies.

History of the Business

On May 14, 2018, pursuant to the terms of an asset purchase agreement (the "**Asset Purchase Agreement**") between Pure and DSD Manufacturing Inc. ("**DSD**"), Pure obtained from DSD certain physical assets and intellectual property, including systems, equipment and machines, as well as the associated trademarks, domain names, and standard operating procedures for use in cannabis extraction (the "**DSD Assets**"). In exchange for the rights to the DSD Assets, Pure paid $120,000 in cash and issued to the shareholders of DSD an aggregate of 2,250,000 Pure Shares at a deemed price of $0.16 per Pure Share.

Pure has also achieved the following milestones:

- The Vitalis Q90 extraction machine was acquired from DSD on May 14, 2018;

- Renovation of the Pemberton Facility was substantially completed in March of 2020 under Building Permit #1817. The Company had incurred $1,532,217 in costs in connection with the renovation of the Pemberton Facility as of March 31, 2020;

- The Processing License was issued by Health Canada on September 25, 2020; and

- On January 13, 2020, it entered into a lease and option to purchase agreement for the Vitalis R200 for a total purchase price of $1,084,199.40 (exclusive of tax), $572,600 of which was paid on signing and the remainder of which is being financed by the vendor/lessor.

In April of 2020, Pure entered into a manufacturing and distribution license agreement (the "**License Agreement**") with Taste-T, LLC ("**Taste-T**"), a company existing under the laws of Nevada which has obtained intellectual property and other proprietary rights to certain materials, names, brands and/or trademarks, relating to the cannabis brand "Fireball Cannabis Gummies", a well known brand of cinnamon liqueur, and which provides Pure with manufacturing equipment and operating procedures to produce cannabis infused gummies with certain brand names and flavour profiles. The License Agreement grants Pure with the exclusive distribution rights of the branded products in Canada and 30 other countries around the world outside of the United States. The term of the License Agreement is six years, and Pure has the option for renewal terms in five year intervals.

In May of 2020, Pure entered into a toll service agreement (the "**Allied Toll Service Agreement**") with 1221417 B.C. Ltd., a private British Columbia company, and Allied Corp., a company existing under the laws of Nevada ("**Allied**"), pursuant to which Pure agreed to process cannabis and hemp biomass for third party licensed producers sourced by Allied (with assistance from 1221417 B.C. Ltd) and returning it to the licensed producers in the form of high-quality extract at a cost offset. The term of the Toll Service Agreement is 24 months from the first supplied biomass delivery date.

In June of 2020, Pure entered into a toll service agreement (the "**MicroC45 Toll Service Agreement**" and, together with the Allied Toll Service Agreement, the "**Toll Service Agreements**") with MicroC56 Inc., a company existing under the laws of Canada ("**MicroC45**"), pursuant to which Pure agreed to process cannabis and hemp biomass for MicroC45 and returning it to MicroC45 in the form of high-quality extract in exchange for a 50% share in the revenues from the sale of the extract. The term of the MicroC45 Toll Service Agreement is 24 months from the first supplied biomass delivery date.

Products and Services

The Corporation's primary products will be (i) cannabis extract, created by processing and refining dried cannabis flower/ biomass - the raw, harvested plant material from the cannabis plant; (ii) CBD oil extraction from dried hemp; and (iii) various derivative cannabis product lines including edible products such as THC infused gummies. Assuming the Processing License is granted, the Corporation will utilize supercritical carbon dioxide (CO_2) and ethanol extraction technology to produce cannabis extract products.

The Corporation's business model entails five different revenue streams: (i) revenue from toll-processing, (ii) revenue from branded extracts and cannabis-derived products; (iii) revenue from white-label products, (iv) revenue from licensed cannabis retailers that the Corporation may acquire in the future, and (v) revenue from functional mushroom toll-processing and branded product sales.

Toll Processing

Canadian cannabis cultivation licenses do not allow cultivators to process their own biomass into extracts. The Corporation intends to provide third-party contractual extraction services to other Health Canada cannabis and hemp cultivation license holders, as well as universities, laboratories and research facilities. The Corporation will assist cultivators through processing biomass and returning it to the suppliers in the form of high-quality extract at a cost offset (tolling). As extracts command a much higher selling price than biomass and/or dried flower cannabis, the Corporation will be able to assist its customers in producing extracts to achieve higher revenue and cater to the demand for edibles and extract based products. The Corporation will collect fees for such services and does not take ownership of the supplied biomass product.

The Corporation intends to obtain a Natural Health Products (NHP) site license from the Natural and Non-Prescription Health Products Directorate (NNHPD) at the end of Q3 2020 prior to commencing mushroom extraction and a product license for any functional mushroom products that the Corporation decides to manufacture. The Corporation may only apply for a product license once it has received the NHP site license. The Corporation will apply for both a Class 1 product license and a Class 2 product license once it receives its NHP site license. A Class 1 product license typically takes 60 days to obtain once an application has been made. A Class 2 product license typically takes 90 days to obtain once an application has been made. Management anticipates that the Corporation will go to market with its functional mushroom products within a year.

The Corporation has already secured two tolling agreements. The Corporation is also in talks with several Canadian licensed cultivators to secure a steady supply of high-quality cannabis biomass for its branded and white-label products. To-date, no white-label agreements have been signed. Management anticipates that many of these licensed cultivators may also serve as the Corporation's customers for its toll-processing services.

Extracts and Derivative Products and White Label Products

The products planned for production by the Corporation include the following:

Phase 1 (Q4, 2020)

- Wholesale packaged THC and CBD vape cartridges, gummies and tinctures

Phase 2 (Q1, 2021)

- Consumer packaged THC and CBD edibles, topicals and oral sprays
- Functional mushroom consumer packaged products for the wellness industry

Phase 3 (H1 2021)

- THC and CBD concentrates
- Consumer packaged THC and CBD beverages
- Other innovative THC and CBD products
- Other advanced functional mushroom products

The development of these products has associated costs of approximately $800,000 related to the buildout of the Pemberton Facility and additional equipment purchases, as described under the heading "Significant Events and Milestones".

The Corporation currently has a license agreement with Taste-T, dated effective May 1, 2020, which has obtained intellectual property and other proprietary rights to certain materials, names, brands and/or trademarks, relating to the cannabis brand "Fireball Cannabis Gummies", a well-known brand of cinnamon liqueur and which provides the Corporation with manufacturing equipment and operating procedures to produce cannabis infused gummies with certain brand names and flavour profiles. The Corporation has exclusive distribution rights of the branded products in Canada and 31 other countries around the world outside of the United States. The term of the agreement is six years, and the Corporation has the option for renewal terms in five-year intervals.

As the Corporation develops its own proprietary product lines it will also contract its services for production of formulated client-branded cannabis derivative products.

Licensed Retailers

Through Management's network and backgrounds, the Corporation already has contacts and relationships with licensed cannabis retailers. Management of the Corporation envisions the licensed cannabis retailers will serve as the primary distribution channel for the Corporation's white-label and toll-processing clients and will allow the Corporation to service customers across Canada.

Functional Mushrooms

The Corporation is developing functional mushroom extraction processes and products compatible with its existing infrastructure for the purpose of commercial scale extraction product and service development. The Corporation intends to integrate these services with its other product and service lines as our distribution and branding partners continue to gain market share.

Psychoactive Compounds

The Corporation may also in the future make an application to Health Canada for a Dealer's License for controlled drugs and substances to permit the manufacture and sale of such compounds to third parties for research and clinical studies. Specifically, the market for psychoactive compounds is in its infancy and there currently are few legal sources of psychoactive compounds for use in medical research. The FDA's recent granting of Breakthrough Therapy designations to the Usona Institute for psilocybin for the treatment of major depressive disorder and to COMPASS Pathways for psilocybin for the treatment-resistant depression, appears to have increased interest and the number of clinical studies of psilocybin and other psychedelic compounds**.**

Any expansion of the Corporation's business to start manufacturing controlled drugs and substances would be subject to all necessary regulatory approvals, including the approval of the CSE.

Facility

The Corporation's Pemberton Facility is located in Pemberton, British Columbia. The Pemberton Facility is held under a lease for a portion of a warehouse and has a footprint of approximately 10,000 square feet, which includes an adjacent bay of the building of approximately 1,800 square feet. The lease has a five year term expiring April 30, 2025, with an option for the Corporation to renew for a further five years. Pursuant to the terms of the lease, the Corporation pays basic rent of $3,300 per month for the first three years of the lease increasing to $3,500 for the fourth and fifth year of the lease. Having received the Processing License, the Corporation is in the process of applying for a municipal license for the Pemberton Facility.

The Pemberton Facility was chosen for the business for the following key reasons: (i) a location within the Lower Mainland of British Columbia provides easy access to service Licensed Producers and other cannabis industry operations; (ii) the Corporation has a good working relationship with the municipal government; and (iii) the facility infrastructure provides optimal shipping accessibility for cannabis product transportation. The Pemberton Facility was designed with assistance from a consultant specializing in Health Canada cannabis licensing and an EU-GMP consultant to ensure compliance with the respective regulations. The Corporation intends to apply for EU-GMP certification in Q3 2021 in order to expand its products and brands to the European market.

The flow of personnel through the Pemberton Facility is set out in Figures 1 and 2. Staff have limited access according to their roles, which include cannabis receiving and grinding, processing (extraction and lab/winterization). The Corporation is taking reasonable commercial steps to ensure it complies with all Health Canada security clearances.

Figure 1 - First Floor Personnel Flow

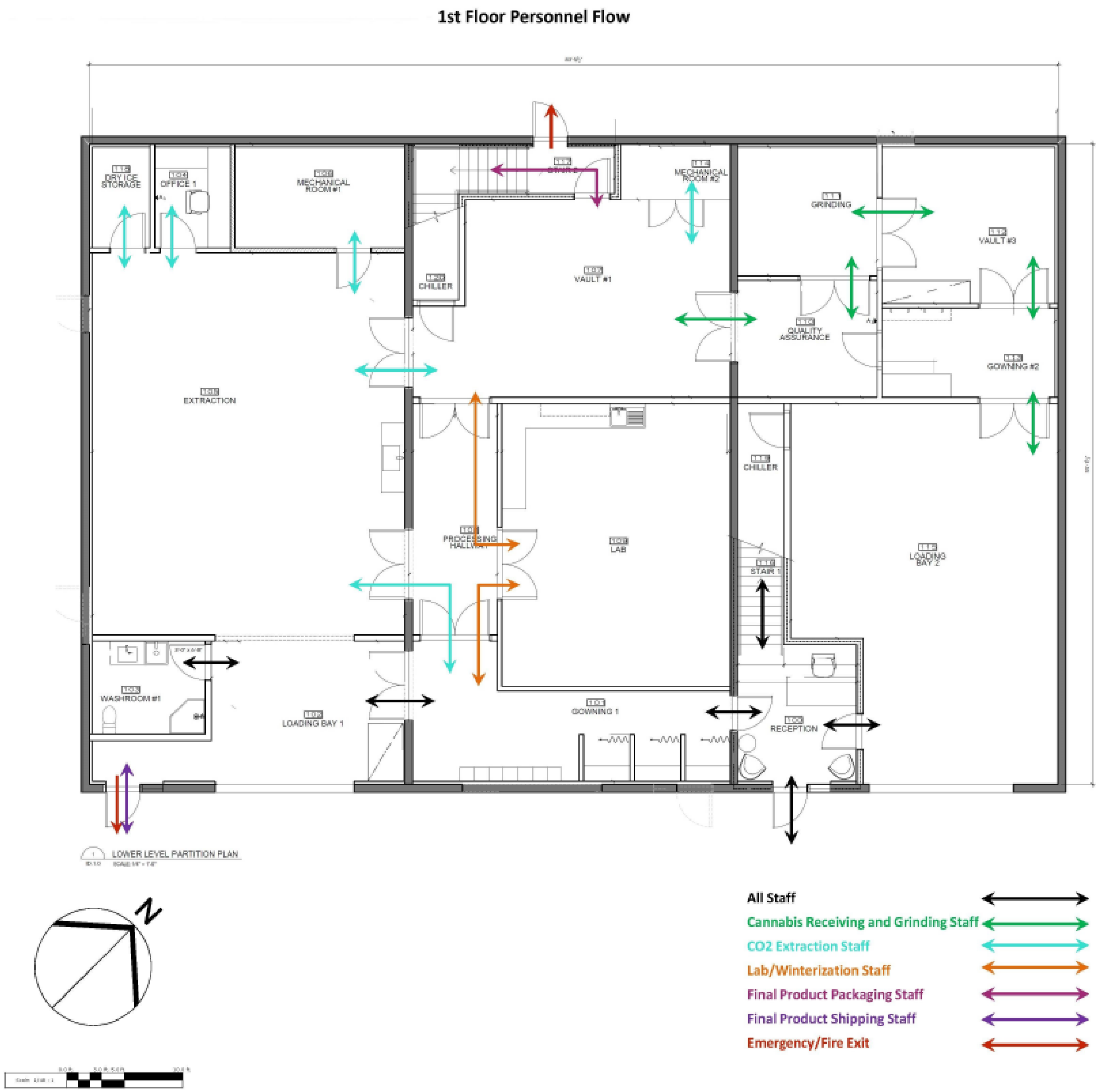
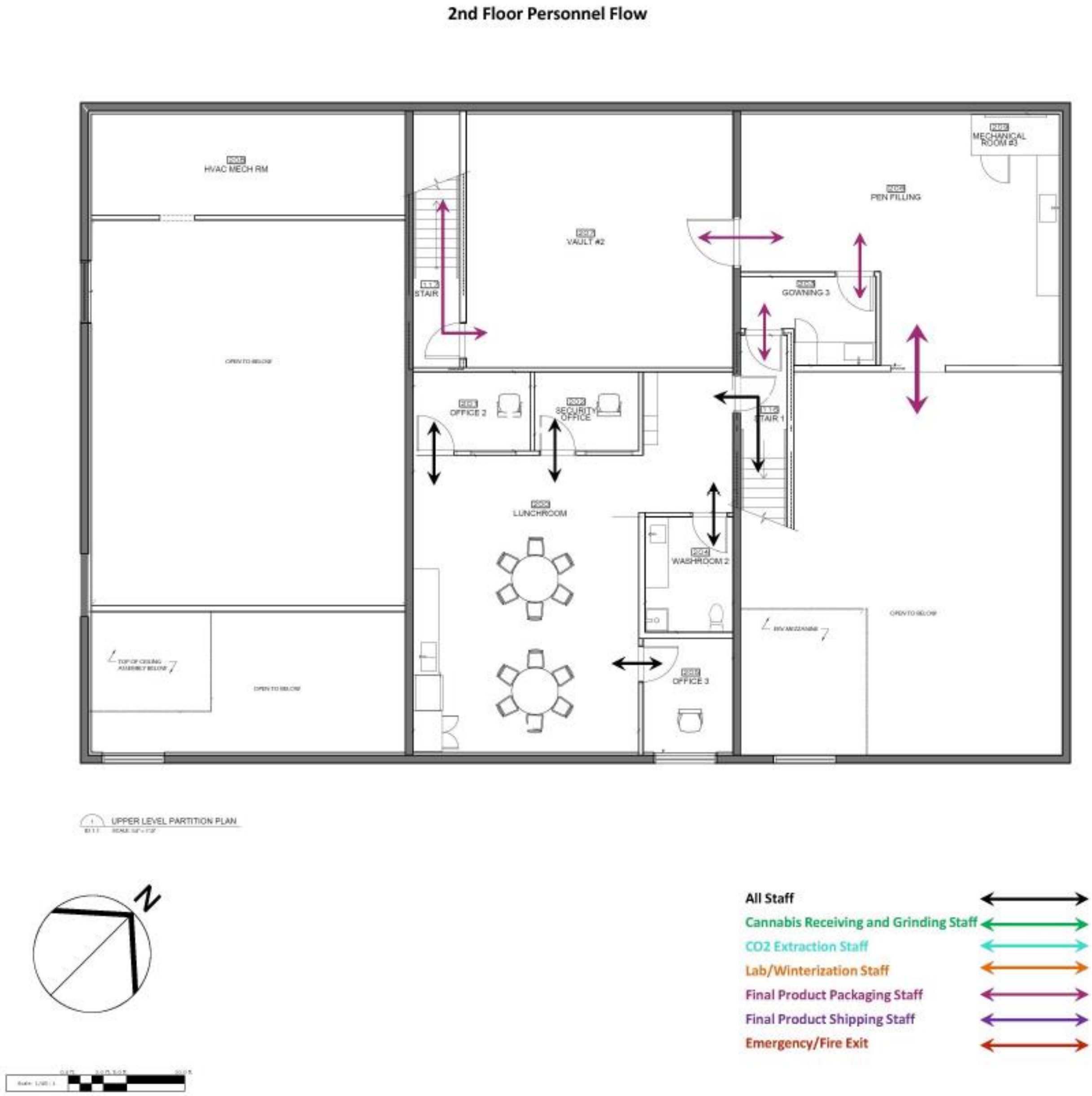


Figure 2 - Second Floor Personnel Flow



The flow of product through the Pemberton Facility is set out in Figures 3 and 4. The Pemberton Facility has been designed with dedicated lab and packaging spaces and is expected to process up to produce up to 200,000 kilograms of dry cannabis and hemp biomass on an annual basis, producing up to 20,000 kilograms of extracted oil, by utilizing its Vitalis R200 and Q90 Series of extraction machines along with additional ethanol extraction equipment. The Pemberton Facility is capable of operating two 12-hour shifts per day and running 350 days per year, accounting for production downtime and maintenance.

Figure 3 - First Floor Product Flow

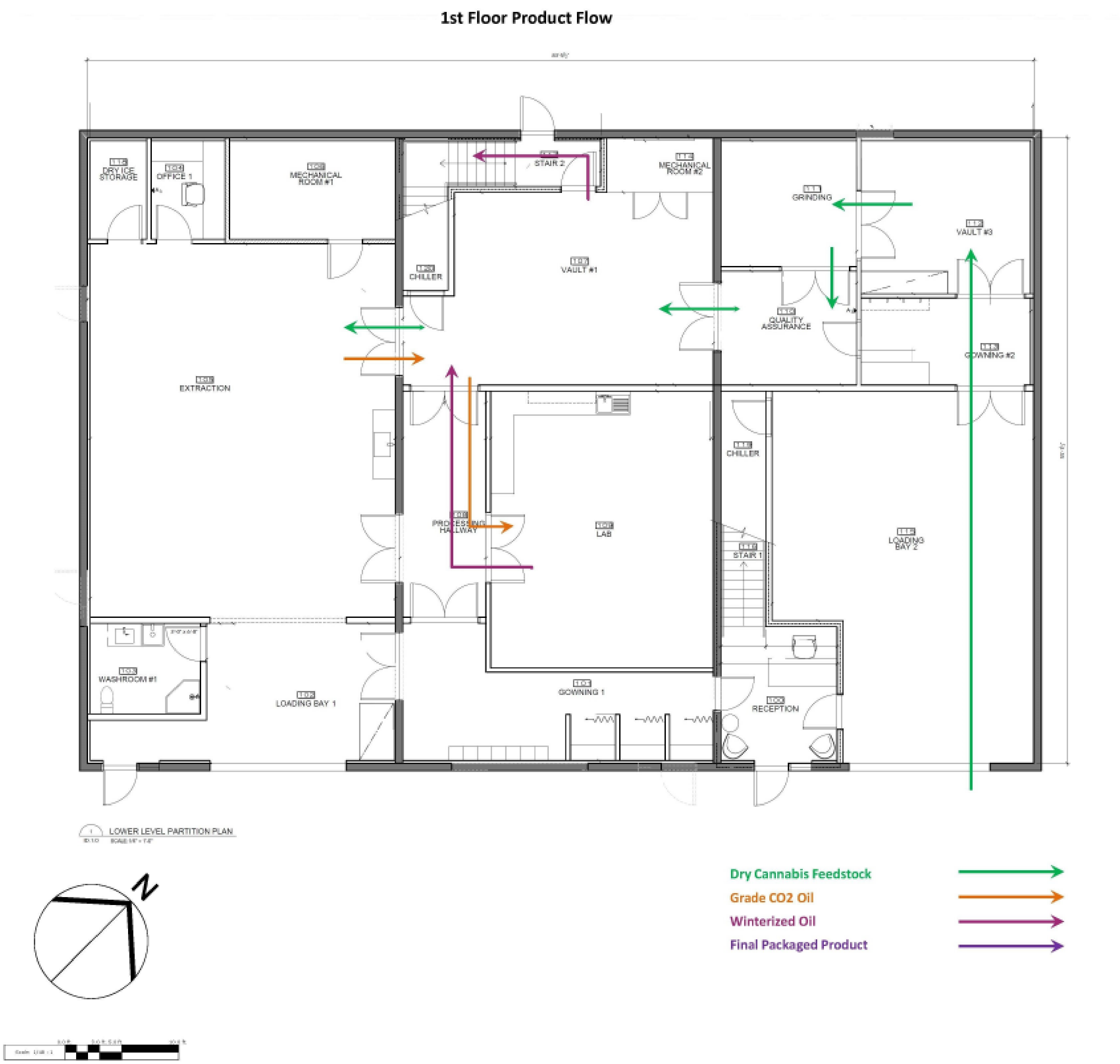
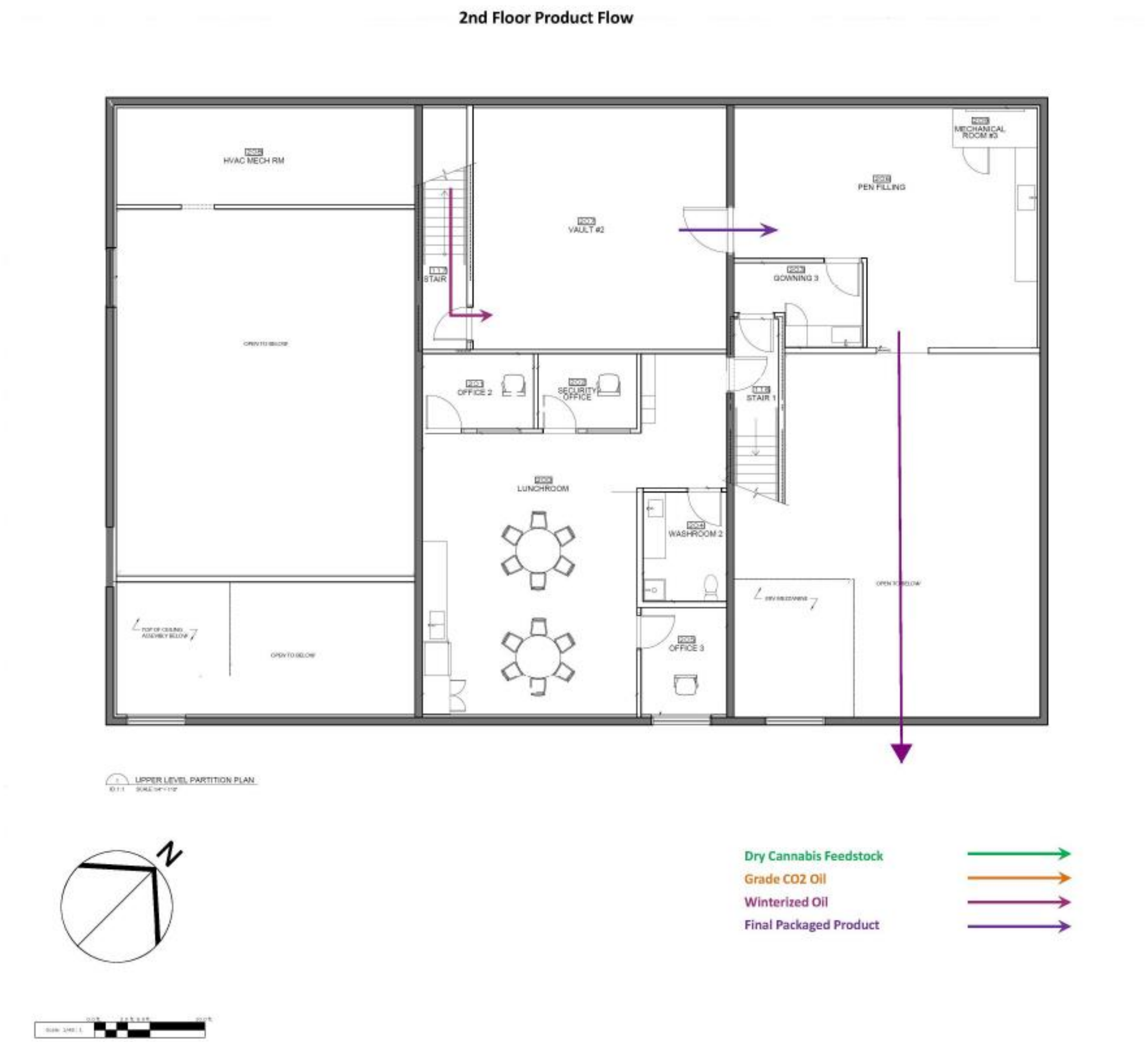


Figure 4 - Second Floor Product Flow



General Product Development Process

Extraction Methods

The Corporation has two types of extraction equipment which use either CO2 or ethanol solvents.

CO2 Extraction

The Corporation acquired CO2 extraction equipment from industry-leading extraction equipment provider Vitalis Extraction Technology Inc. ("**Vitalis**"). The extraction machines are produced in Vitalis' American Society of Mechanical Engineers ("**ASME**") accredited facility in Kelowna, British Columbia. All of Vitalis' pressure equipment meets ASME and Canadian Standards Association ("**CSA**") standards.

The Corporation is currently using the Q-Series and R-Series extraction systems.The R-Series is the highest volume extraction machine offered by Vitalis, having total extraction volume of 200 litres per run. The Q-Series has a total extraction volume of 90 litres per run.

The Vitalis extraction system uses supercritical CO2 extraction technology to product cannabis oils, extracts and products. The supercritical CO2 extraction process utilized temperature and pressure to create phase changes in carbon dioxide. Initially, the CO2 solvent comes into contact with plant biomass and diffuses through its pores. The plant extractants are then dissolved in the solvent and are transferred from the extraction cell into a separator at a lower pressure for the extractants to be settled. The CO2 fluid is then cooled, re-compressed, and recycled for use in the next run.

Ethanol Extraction

In addition to its CO2 extraction equipment, the Corporation intends to acquire state-of-the-art ethanol extraction machinery complete with two, 100-gallon, jacketed multi-port tanks. Ethanol extraction machinery will be used primarily for extracting hemp and functional mushroom products and is capable of extracting 30 – 35 kgs per hour of biomass material.

Ethanol extraction is a single-stream process that can be conducted under warm or cold conditions. This technique essentially boils ethanol in a flask or pot, then condenses the alcohol on a cooled-coil, which then drips through the packed flower material, stripping the cannabinoids and terpenes during the process. The advantage to this approach is that the extraction is time efficient and of relatively low solvent-to-feed ratio.

Testing Methods

All extracted oil and edible products will be batch-tested by an accredited laboratory prior to shipping, according to strict Health Canada guidelines for heavy metals, aflatoxins, pesticides and potency.

Personnel

As of the date of this Listing Statement, the Corporation (including Amalco, its sole subsidiary) has eight full time employees. Once the Pemberton Facility is fully operational, management estimates that the Corporation will require additional personnel, including extraction engineers, general productions staff, marketing staff, and administrative staff. Its ongoing recruiting efforts will continue to target candidates with the following qualifications:

- Experience in the processing and extraction of cannabis or equivalent skills.
- Biochemistry and analytic science degrees.
- Experience in quality assurance/quality control
- No criminal record.
- Experience in restricted-access facilities.

At the operational level, the Corporation has deep relationships in the cannabis industry in both the United States and Canada, resulting in a talented pool of human resources to draw from. Management positions for the Pemberton Facility will include the following:

- *Responsible Person in Charge (RPIC)* – Contact point for Health Canada. Organize and supervise day-to-day operations.

- *Chief Operating Officer (COO)* – Supervise the safe processing, retail packaging, acquisition, and inventory of new supplies.

- *Quality Assurance Person (QAP)* - Responsible for compliance with Health Canada's regulations under Cannabis Act.
- *Head of Security*

The Corporation plans to employ full-time and part-time employees to staff the Pemberton Facility. Once the Pemberton Facility is up and running, management expects to have approximately 17 employees on staff. Staffing needs will increase as the Corporation ramps up production for toll-processing customers and distribution to licensed cannabis and functional mushroom retailers.

Individual job descriptions have been developed for each position in the Corporation's organization. The purpose is to ensure that all personnel are clear about their role and responsibilities, and understand how their position contributes to the safe, efficient operation of the Pemberton Facility. The Corporation will hire locally to the extent possible.

Specialized Skill and Knowledge

Our business requires specialized knowledge and technical skill around cannabis processing in Canada, clinical sciences, product formulations, product testing, clinical testing, quality assurance, GMP standards and ingredient sourcing. The required skills and knowledge are available to us through our current employees and management and through our ongoing recruitment of new employees.

Record Keeping and Compliance

Compliance with Health Canada regulations is paramount to the Corporation. In addition to the requirements established by the Cannabis Act, Licence Holders are required to comply with all applicable provincial and municipal regulations, including zoning restrictions. The Corporation will be subject to an annual inspection conducted by Health Canada to ensure compliance with the Cannabis Act.

Licensed Holders are also subject to good production practices as stipulated in the Cannabis Act. These requirements create an environment that demands that the highest possible standards are in place to maintain a safe environment and produce safe products. Licensees are required to employ a "Quality Assurance Person" that is appropriately experienced and knowledgeable to approve the quality of cannabis and oil prior to sale. Accordingly, the Corporation will employ a Quality Control Officer, who has the training, experience, and technical knowledge required to implement the proper standard operating procedures and other internal protocols. The Quality Control Officer will conduct all activities per Div. 4 of the Cannabis Act regulations, including validating results performed to determine the level of chemical and microbial contaminants. Also, it will be the responsibility of the Quality Control Officer to ensure that the equipment, premises and sanitation procedures are accurately followed. This individual will have the responsibility to investigate and document product recalls and waste disposal, as well as audit product traceability from seed to sale.

Cannabis Market and Customers

Use of Cannabis

Cannabis is a preparation of the leaves and flowering tops of the cannabis sativa or cannabis indica plant, which contains a number of pharmacologically active compounds (cannabinoids), including THC and CBD. The cannabis plant contains over 421 different phytochemical compounds, including over 111 known cannabinoids, over 100 known terpenes, and over 100 known flavonoids. All the cannabinoids, terpenes and flavonoids work synergistically through the body's endocannabinoid system to product the pharmacological and toxicological properties of cannabis. The cannabis plant's chemical derivatives can be used for either recreational or therapeutic (medicinal) purposes. As a recreational drug, cannabis can come in a variety of forms, including (i) as a dried plant, (ii) as a resin, (iii) in powder form, and (iv) as an oil.

Smoking cannabis is the most traditional form of ingestion and consists of smoking the dried flowers or leaves of the cannabis plant. Cannabis can be smoked through a pipe, rolled into a joint (or cigarette), or smoked using a water pipe (bong). Vaporizing involves using a vaporizer, which is a device that is able to extract the therapeutic ingredients in the cannabis plant material at a much lower temperature than required for burning. This allows user to inhale the active ingredients as a vapor instead of smoke, and spares them the irritating and harmful effects of smoking. Many medical cannabis patients find that vaporizing offers an improved medical effectiveness compared to smoking.

Topical cannabis encompasses various herbal formulations that are applied directly to the skin or muscles. They include lotions, salves, balms, sprays, oils, and creams. Some patients report they are effective for skin conditions like psoriasis, joint diseases like rheumatoid arthritis, migraines, restless leg syndrome, some spasms, and everyday muscle stress and soreness. However, unlike smoking, vaporizing or eating the medical cannabis, topical products are generally non-psychoactive.

The Corporation will manufacture specific extracted oil products for different user experiences, utilizing strain and delivery methods to achieve the desired recreational effect. Generally, cannabis plants fall into one of two categories: Indica or Sativa. Each strain has its own range of benefits and effects on the body. Indica strains generally have more of a relaxed effect while Sativa strains tend to provide a more energizing, uplifting experience. There are also hybrid strains which fall somewhere in between the spectrum and contain genetics from both types of plants. Ultimately, each individual plant's cannabinoid profile will determine the effects felt by consumers.

The Corporation will have the opportunity to generate revenue from multiple customer bases in the recreational cannabis market. The target market for cannabis in Canada is for individuals aged over 18 or 19 years old, depending upon the consumer's province of domicile. The target market for cannabis is broad, being used across the population and across all socioeconomic and age groups.

Canadian Cannabis Market

The latest National Cannabis Survey conducted by Statistics Canada for the third quarter of 2019 (the "Survey") found that approximately 5.2 million or 17% of Canadians aged 15 and older reported using cannabis from mid-June to mid-September 2019, up from 4.9 million people (16%) during the second quarter of 2019 and unchanged from one year earlier (before legalization). Despite this apparent stability in national rates, cannabis use has increased in some age groups, particularly among seniors and persons aged 25 to 44. The increasing popularity of cannabis among older adults has contributed to an increase in the average age of cannabis users, which has risen from 29.4 in 2004 to 38.1 in 2019. It is also noteworthy that males are more likely than females to use and purchase cannabis.

The survey also showed that approximately 578,000 people reported trying cannabis for the first time during Q3 of 2019. While an estimated 10% of cannabis users aged 25 to 44 were new users in Q3 of 2019, new users comprised an estimated 14.6% of cannabis users aged 45 to 64 and 27% of cannabis users aged 65 and older. In terms of usage (recreational and medical), approximately 6% of Canadians aged 15 and older (1.9 million Canadians) reported using cannabis on a daily or almost daily basis, while approximately 3.5% of survey respondents reported using cannabis on a weekly basis and 2% reporting using cannabis on a monthly basis.

The Survey also noted that more cannabis users obtained cannabis from legal sources. An estimated 53% of cannabis users (2.6 million Canadians) reported obtaining cannabis products from legal sources in Q2 and Q3 of 2019, compared to 42% for Q1 of 2019 and just 23% during the same period in 2018. In addition, 28% of cannabis users (1.4 million Canadians) reported obtaining all of the cannabis they consumed exclusively from legal sources, compared to 10% one year earlier. Cannabis consumers aged 65 and older are the most likely to use only legally acquired cannabis (41%), whereas younger consumers are less likely (23% to 29%, depending on age). Overall, it appears that more and more cannabis users are comfortable with purchasing cannabis from legal sources, such as authorized retailers and online Licensed Producers. The National Cannabis Survey conducted by Statistics Canada for the first quarter of 2019 indicated that the primary considerations when purchasing cannabis were: (i) quality and safety of products (76%), (ii) price (42%), (iii) accessibility (35%), (iv) proximity of products (32%), (v) product selection (31%); ability to purchase online (18%); anonymity or discretion (16%); and sales support (15%).

According to Statistics Canada, from October 2018 – when cannabis was legalized in Canada – to September 2019, retails sales of cannabis totalled approximately $908 million, with online sales of recreational cannabis accounting for approximately $120 million and direct-to-consumer sales of recreational cannabis by wholesalers accounting for approximately $17.5 million. The total number of cannabis retail stores increased from 217 in March 2019 to 407 in July 2019. As of July 2019, an estimated 45% of Canadian lived within 10 km of a retail cannabis store, while an estimated 30% lived within 5 km and 19% within 3 km. For the five and half months from the legalization of cannabis in Canada on October 17, 2018 to the end of March 2019, Statistics Canada reported that Canadian governments earned $186 million from excise taxes, general taxes, and goods and services from the sale of cannabis.

According to a 2019 report published by BDS Analytics and Arcview Market Research, “Canada Leads the Way on Global Cannabis Legalization”, legal cannabis spending in Canada is set to grow at a compounded annual rate of 44.4% from US$569 million in 2018 to US$5.2 billion by 2024. Spending on adult-use cannabis is expected to grow from $112.5 million in the partial year of 2018 to nearly $4.8 billion by 2024, while spending in medical cannabis is expected to decline from $456.6 million in 2018 to $381.4 million in 2024.

According to a 2019 report by published by Fior Markets, the global CBD market is projected to grow from US$1.4 billion in 2018 to US$17.3 billion by 2026, a compounded annual growth rate of 36.3%. Increased consumer spending on cannabis products, wide adoption and use of CBD, and high R&D investment by the pharmaceutical industry have combined to spur the growth of the global CBD market. Fior Markets notes that North America is leading the overall CBD extracts market, generating 42.5% of sales in 2018.

According to the Canadian Cannabis Survey conducted by Health Canada for the third quarter of 2019, Canada's cannabis industry is currently dominated by dried flower products (77%), a decrease from 82% in 2018. Other commonly used cannabis products include edible food products (44%); vape pens/ cartridges (26%); hashish/kief (23%); cannabis oil (23%); and concentrates/extracts (17%). According to Health Canada, for the November 2019 reporting period, dried cannabis represented 92% of total sales of cannabis across Canada, while cannabis extracts represented 8%. In the United States, extract products are 50% of the market. In its 2019 report, “Nurturing new growth: Canada gets reach for Cannabis 2.0”, Deloitte estimates that the global market for alternative cannabis products is expected to reach $194 billion in 2024. According to Deloitte, the Canadian market for edibles and alternative cannabis products is worth an estimated $2.7 billion annually, with cannabis extract-based products accounting for over 50% of the market share ($1.6 billion). Edibles and other alternative products, such as concentrates, are growing in popularity as they offer consumers a more discreet and accessible way to consume cannabis and enable them to avoid any stigma and health concerns surrounding smoking cannabis.

Functional Mushroom Market

Functional mushrooms are a variety of mushrooms that offer functional benefits to boost overall health and nutritional benefits. Due to their many functional properties, they are used in the production of functional food products, cosmetic products and medicines. In Canada, there exists a growing market for functional, edible, mushroom wellness products fostered by relaxing regulations, secure intellectual property and increasing consumer awareness. Key growth areas include weight loss and weight management, cardiovascular health, depression treatment, immune boosting, mental wellness, detoxification and various other possible health benefits. For clarity, functional mushrooms do not refer to mushrooms that are commonly referred to as "magic mushrooms" and which contain psychoactive compounds which are regulated as controlled drugs and substances.

The global functional food market the Corporation is looking to penetrate is expected to reach US$30 to $35 billion by 2024, registering a compound annual growth rate (CAGR) of 8.04% during the forecasted period (2019 - 2024). Expected growth in consumption of dietary supplements for health and wellness is expected to push the demand for functional mushrooms for the next five years. In management's view, urbanization, increasing per capita income and changing lifestyles are projected to support the growth of the functional mushrooms market worldwide in the coming years. Also, increasing product launches by top market players and growing demand within the personal care industry to manufacture high-quality products is contributing to market growth.

The market for functional mushrooms is expected to experience demand growth for various mushroom varieties, especially Reishi and Cordyceps. Mushroom extracts from species such as Lions Mane, Turkey Tail, Cordyceps, Reishi, Chaga and others offer a multitude of potential health benefits. Form factors the Corporation is considering include capsules, hard tablets, infused coffees, infused teas, powders and other extract delivery mechanisms.

Competitive Conditions

As of January 17, 2020, according to Health Canada, there are 287 Licence Holders in Canada, 70 of which are in British Columbia. The Corporation is one of many applicants waiting for approval from Health Canada and, therefore we anticipate more competition to enter the market.

The functional mushroom market has over 30 established competitors in various stages of research & development, product formulation, branding and retail distribution. There are a multitude of micro-brands available in health food stores across the country, most carrying over a dozen SKUs. Additional online functional mushroom products are also widely available.

The Cannabis market in Canada is segmented into three distinct categories: Medical, Recreational, and Black Market. After the introduction of the Cannabis Act which legalized recreation use, the Black Market continues to thrive, due primarily to high cost and limited accessibility of legal Cannabis.

Statistics Canada reports as of the second quarter of 2019, the Black Market represents approximately 61% of all sales. A major market opportunity lies in reducing and ultimately eliminating the Black Market. Approximately 8.3 million Canadians are Cannabis consumers, 2.6 million of which are daily users.

The Corporation will face competition from current processors and retailers of cannabis for medicinal purposes, some of which have been operating for several years. Such companies possess established cannabis supply sources, supply chain frameworks, retail outlets and consumer bases. Additionally, such companies possess experience in complying with current applicable federal regulatory frameworks, which the Corporation does not possess.

The Corporation will also face competition from other license holders and retailers in the legal recreational cannabis market and functional mushroom space, some of which can be expected to have greater financial resources, market access and manufacturing and marketing experience than the Corporation. Increased competition by numerous independent dispensaries and larger and better financed competitors could materially and adversely affect the business, financial condition and results of the proposed operations of the Corporation. Because of the preliminary stage of the potential recreational cannabis market in which the Corporation intends to operate, the Corporation expects to face additional competition from new entrants. To remain competitive, the Corporation will require a continued high level of investment in research and development, marketing, sales and client support. The Corporation may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and operating results of the Corporation.

Competitive Advantages

Years of Cannabis and Mushroom Experience

The Corporation's current management team is experienced in cannabis and corporate finance and possesses the necessary skill sets to implement the Corporation's business plan. The leadership team's expertise in general management, marketing, product development, supply chain management, the handling of large amounts of biomass, consumer insights and analytics, sales and customer management differentiates us among our peers. In addition, the Corporation will be able to leverage the management team's experience and connections in the cannabis industry to secure toll-processing agreements with Licensed Producers and purchasers for its white-label products, and to form partnerships with retailers to pursue distribution arrangements. No partnerships with retailers have been entered into as of yet, but the Corporation's goal is to sign one in H1 2021.

Established Product Line

Cannabis consumers increasingly want a variety of products offered at reasonable prices from reputable suppliers. The Corporation already has product lines ready for release into the recreational cannabis market, which it intends to build out into a portfolio of cannabis branded products. The Corporation's in-house processing, formulation and testing capabilities will give it the advantage of being able to provide consumers with reliable information regarding the safety and origin of its products.

Standard Operating Procedures

The Corporation has developed a set of proprietary SOPs related to the extraction and manufacturing processes based on the significant industry experience of its staff. The SOPs contain detailed procedures, provide an excellent tool for training and address a wide variety of topics, including: security, sanitation, production, waste disposal/destruction, packaging, shipping, inventory, compliance and quality assurance.

Superior Technology

Supercritical CO2 extraction is widely regarded as the industry's gold standard for cannabis. The Corporation's CO2 Vitalis Extraction Technology allows for full spectrum cannabis oil extraction which produces the purest and highest quality oil. Compared to other extraction methods, CO2 is a low-cost option and also the most environmentally friendly. The Vitalis machines produce high quality extracts and have several advantages over other existing extraction methods, including the ability to rapidly process cannabis biomass, generate maximum yield on every run, recirculate solvent to minimize waste and retain higher terpene content in the end product.

The Corporation also has the option to use its ethanol extraction equipment, which is optimal for larger scale and industrial biomass input, such as hemp and functional mushrooms.

Highly Technical Expertise

The Corporation's management team possesses the requisite specialized knowledge and technical skills around cannabis processing in Canada, clinical sciences, product formulations, product testing, clinical testing, quality assurance, GMP standards and ingredient sourcing.

Marketing Plan

The management team has identified discrete marketing plans and strategies aimed at promoting the Corporation and its various divisions: LPs, house branded products, and toll-processing services. The Corporation's business model caters to LPs and end consumers. The Corporation will focus on implementing separate digital educational strategies targeting these two distinct groups, as outlined below.

Marketing to End Consumers

The Corporation has previously marketed Pure Pulls through event sponsoring and continual product education amongst the Corporation's customer base. Going forward, the Corporation will continue this strategy and also focus on the following initiatives:

- Developing a branded website to allow prospective customers to seek further information. The website will also serve an information hub, providing recreational customers with the most recent information on the growing efficacy and benefits of oils, extracts, and edibles and will link visitors to the latest cannabis related news.
- Retaining a cannabis/pharmaceutical marketing agency to develop communication objectives and to distribute information to key media.
- Educating consumers through online, print, and social media with the goal of gaining recognition in the market.

With respect to marketing and advertising, the Corporation intends to conform to the packaging and advertising restrictions under the Cannabis Act and applicable regulations.

Marketing to LPs

The Corporation's marketing efforts will be robust in order to attract long-term customers. Management has begun to move forward with a marketing strategy which involves: corporate brand development, website development, logo design, direct marketing, and social media elements. The Corporation also recognizes that industry trade shows and events will be important for marketing its toll processing services. As such, the Corporation will also focus on gaining exposure at cannabis industry events.

Marketing strategies for promoting the Corporation's toll-processing services, where permitted by applicable laws, will include:

- Using social media, customer relationship management software and search engine optimization to target the intended industry audience.
- Staying informed of industry market trends and consumer insights by subscribing to BDS Analytics and New Frontier data.
- Joining industry organizations like The National Cannabis Industry Association and attending related events.
- Developing a branded website to allow prospective customers to seek further information and contact the management team directly.
- Distributing in-house produced videos through various media channels.

- Advertising through online, print, out-of-home displays and signage with the goal of gaining recognition in the LP market.
- Generating exposure by attending industry conventions and trade shows, such as the Marijuana Business Conference & Expo, once such events are able to resume.

Management will also review suitable marketing and business partners in Canada, in order to develop long-term partnerships, which it anticipates will have a positive effect on revenues and net income.

Economic Dependence

The Corporation's activities and resources are located in its Pemberton Facility in British Columbia and are expected to continue to be located in the Pemberton Facility for the foreseeable future. Adverse changes or developments affecting the Pemberton Facility could have a material and adverse effect on the Corporation's ability to process, package and distribute cannabis extracts and its derivative products, its business, financial condition and prospects. As a result, the Corporation will be economically dependent on Health Canada's grant of the Processing License for the Pemberton Facility and the ongoing regulatory requirements of and ongoing changes to the Canadian cannabis legal regime.

Business Cycle

Both the cannabis industry and the functional mushroom industry are in a preliminary stage in Canada, and predictable business cycles have not yet been established. The Corporation must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources.

Intellectual Property

The Corporation owns trademarks, domain names, and standard operating procedures related to the acquisition of these assets from DSD. Specifically, the Corporation has acquired two trademark applications – one for the words "Pure Pulls" and one for the Pure Pulls brand logo. The Corporation also acquired the domain name purepulls.com and some manufacturing standard operating procedures written by DSD on the following operational aspects: security, sanitation, production, waste disposal/destruction, packaging, shipping, inventory, compliance and quality assurance. The Corporation does not have any patents on its extraction systems.

Management consistently evaluates the importance of obtaining intellectual property protection for the Corporation's brands, products, applications and processes and maintaining trade secrets. When applicable to its business and products, the Corporation will seek to obtain, license and enforce patents, protect its proprietary information and maintain trade secret protection without infringing the proprietary rights of third parties. It will also make use of trade secrets, proprietary unpatented information and trademarks to protect its technology and enhance its competitive position.

Environmental Protection

Cannabis and mushroom refuse and post-extraction waste will need to be handled with care and the Corporation will follow well-established industry standard systems and procedures for the storage, handling and disposal of its waste materials and by-products, as mandated by Health Canada. The Corporation does not expect that there will be any financial or operational effects as a result of the environmental protection requirements on its capital expenditures, profit or loss, or the competitive position of the Corporation in the current fiscal year or future years.

Regulatory Framework

Cannabis Regulation – Canada

Legislation legalizing the recreational use of cannabis in Canada was implemented on October 17, 2018. On April 13, 2017, the federal government released the Cannabis Act. The Cannabis Act is intended to support the federal government's platform advocating for the legalization of recreational cannabis in order to regulate the illegal market and restrict access by under-aged individuals. The Cannabis Act regulates the production, distribution and sale of cannabis for adult use.

The Cannabis Act provides a licensing and permitting scheme for the production, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis. Provincial legislation has implemented measures authorizing the sale of cannabis that has been produced by a person authorized under the Cannabis Act to produce cannabis for commercial purposes. The licensing, permitting and authorization regime has been implemented by the Cannabis Regulations.

Federal Developments

On October 17, 2018, the Cannabis Act and the Cannabis Regulations came into force, legalizing the sale of cannabis for adult recreational use. Prior to the Cannabis Act and the Cannabis Regulations coming into force, only the sale of medical cannabis was legal and was regulated by the *Access to Cannabis for Medical Purposes Regulations* ("**ACMPR**") made under the *Controlled Drugs and Substances Act* ("**CDSA**"). The Cannabis Act and the Cannabis Regulations replaced the CDSA and the ACMPR as the governing laws and regulations in respect of the production, sale and distribution of medical cannabis and related oil extract. Transitional provisions of the Cannabis Act provide that every license issued under Section 35 of the ACMPR that was in force immediately before the day on which the Cannabis Act came into force (being October 17, 2018) was deemed to be a licence issued under the Cannabis Act, and such licences will continue in force until they are revoked or expire. Given that the Cannabis Act and the Cannabis Regulations are still very new, the impact of such regulatory changes on the Corporations's business is unknown.

Proposed regulations amending the Cannabis Regulations were released by Health Canada on December 22, 2018, with an order amending Schedules 3 and 4 of the Cannabis Act to include cannabis edibles, cannabis topicals and concentrates. On October 17, 2019, the Cannabis Regulations were amended to include regulations for edibles, cannabis extracts and cannabis topicals.

The Cannabis Act provides a licensing and permitting scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for non-medicinal use (i.e., adult recreational use), to be implemented by regulations made under the Cannabis Act. The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licenses and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp.

The Cannabis Act and the Cannabis Regulations, among other things, set out regulations relating to the following matters:

1. Licences, Permits and Authorizations;
2. Security Clearances;
3. Cannabis Tracking System;
4. Cannabis Products;

5. Packaging, Labelling and Advertising;

6. Cannabis for Medical Purposes; and

7. Health Products and Cosmetics Containing Cannabis.

Industrial Hemp Products

Industrial hemp ("**Industrial Hemp**") in Canada is regulated under the Industrial Hemp Regulations ("**IHR**"), pursuant to subsection 139(1) of the Cannabis Act. The IHR sets out the regulatory framework for controlling and authorizing activities involving Industrial Hemp. The IHR defines Industrial Hemp as a cannabis plant – or any part of the plant – in which the concentration of THC is 0.3% or less in the flowering heads and leaves. A license issued by Health Canada under the IHR is required in order to conduct various activities involving Industrial Hemp and those who obtain such a license are not subject to the Cannabis Regulations. A license issued under IHR permits the holder to conduct certain activities authorized by the particular license, including, selling, importing and exporting Seed or Grain, and cultivating Industrial Hemp. A license issued under the IHR also authorizes certain ancillary activities, such as possessing, harvesting, transferring and transporting Industrial Hemp, to the extent they are necessary to conduct the activities authorized by the license.

Not every activity that involves Industrial Hemp falls within the scope of the IHR. For example, the extraction of CBD or other phytocannabinoids from the flowering heads, leaves or branches of the plant (whether categorized as Industrial Hemp or otherwise) is regulated by the Cannabis Regulations and requires a cannabis processing or cultivation license. As a result, the extraction of CBD and the production of CBD-infused products requires a processing or cultivation license issued by Health Canada under the Cannabis Act and the Cannabis Regulations.

Licences, Permits and Authorizations

The Cannabis Regulations establish the following six classes of licenses under the Cannabis Act authorizing differing activities and, in some cases, the scale of the authorized activity: (i) cultivation licenses; (ii) processing licenses; (iii) analytical testing licenses; (iv) sale for medical purposes licenses; (v) research licenses; and (vi) cannabis drug licenses. The Cannabis Regulations also create subclasses of cultivation licenses (standard cultivation, micro-cultivation and nursery) and processing licenses (standard processing and micro-processing). The different classes of licenses and each subclass therein carry differing rules and requirements that are intended to be proportionate to the public health and safety risks posed by each class and subclass of license. The Cannabis Regulations provide that all licenses issued under the Cannabis Act must include both the effective date and expiry date of the license, and may be renewed on or before the expiry date.

The Cannabis Regulations provide that license holders may only conduct activities authorize by a license at the site specified in the license (except for destruction, antimicrobial treatment and distribution) and that no licensed activities can be conducted in a dwelling-house. The holder of a license must not produce cannabis (other than cannabis obtained by cultivating, propagating or harvesting it) or test, store, package or label cannabis outdoors. The Cannabis Act and the Cannabis Regulations, therefore, permit both outdoor and indoor cultivation of cannabis. The implications of allowing outdoor cultivation are not yet fully known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically much lower than those associated with indoor cultivation.

Security Clearances

Certain personnel associated with cannabis licensees, including individuals occupying a "key position" such as directors, officers, large shareholders and individuals identified by the Minister of Health (the "**Minister**"), are obliged to hold a valid security clearance issued by the Minister. Under the Cannabis Regulations, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences. The Cannabis Regulations also provide that security clearances are valid for a period of no more than five years.

Health Canada acknowledges that individuals who have histories of non-violent, lower-risk criminal activity (for example, simple possession of cannabis or small-scale cultivation of cannabis plants) may obtain security clearances so they can participate in the legal cannabis industry, depending on the circumstances. The Minister may grant security clearances to any such individual, on a case-by-case basis, if the Minister determines that the individual does not pose an unacceptable risk to public health or safety, including the risk of cannabis being diverted to an illicit market or activity.

Cannabis Tracking System

Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Cannabis Regulations provides the Minister with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister of Health. The Minister has introduced the Cannabis Tracking and Licensing System (CLTS), and license holders are required to use this system to submit monthly reports to the Minister, among other things.

Cannabis Products

The Cannabis Regulations set out the requirements for the sale of cannabis products at the retail level and permit the sale of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds, after it has been packaged and labelled for sale to a customer, including in such forms a "pre-rolled" and capsules. With amendments to the Cannabis Regulations that came into force in October of 2019, the products permitted for sale were expanded to include edible cannabis, cannabis extracts (such as hashish, wax and vaping products) and cannabis topicals. The THC content and serving size of cannabis products is regulated by the Cannabis Regulations.

In order to produce and sell products within the new classes of cannabis introduced on October 17, 2019, individual licensees must apply to Health Canada to amend their license. Health Canada began accepting applications for license amendments as of mid-September 2019. Further, at least 60 days before making a new cannabis product available for sale, holders of a processing license must provide Health Canada with a written notice describing the product and advising of the date that it will become available for sale. October 17, 2019 was the first day that Health Canada accepted such notices, and accordingly December 16, 2019 was the first day upon which products in the new classes could be sold or made available to provincial wholesalers.

Good Production Practices

The Cannabis Regulations establish requirements pertaining to the production, distribution and storage of cannabis in order to control quality of finished products. The October 17, 2019 amendments to the Cannabis Regulations incorporated additional good production practices, many of which have been adapted from the

Safe Food for Canadians Regulations to address the risk of foodborne illnesses that may be associated with edible forms of cannabis. Of particulate note, if a license holder chooses to process any class of cannabis and food products on the same site, then the production, packaging, labelling and storage of cannabis and the production, packaging and labelling of food products must be conducted in separate buildings in order to reduce the risk of cross-contamination between ingredients and products.

Product Composition and Ingredients

The Cannabis Regulations restrict the addition of anything other than cannabis to non-derivative cannabis products (with the exception of cannabis oil, which may contain the carrier oil and any additives necessary to preserve the quality and stability of the product). The composition and ingredient requirements in respect of edible cannabis, cannabis extracts and cannabis topicals are extensive and detailed and include: (i) restrictions on the use of sweeteners and flavouring agents; and (ii) prohibitions against the use of any ingredients that could be considered unsafe or that may cause injury to the health of consumers when the product is used as intended or in a reasonably foreseeable way.

Product Testing

The Cannabis Regulations require sampling and testing of cannabis products as follows:

- Testing to determine the content of THC, tetrahydrocannabinolic acid (THCA), CBD and cannabidiolic acid (CBDA);
- Testing for microbial and chemical contaminants, which must be within limits that are generally appropriate for the intended use of the product (e.g. ingestion, inhalation, etc.);
- Testing for the residues of solvents used in the production of cannabis products; and
- Dissolution or disintegrations testing (on discrete units intended for ingestion or nasal, rectal or vaginal use).

Packaging and Labelling

The Cannabis Regulations set out requirements pertaining to the packaging and labelling of cannabis products which are intended to promote informed consumer choice and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth and promoting safe consumption. These requirements require plain packaging for cannabis products, including strict requirements for logos, colours and branding, as well as packaging that is tamper-proof and child-resistant. The Cannabis Regulations further require mandatory health warnings, the standardized cannabis symbol and specific product information. Cannabis package labels must include specific information, such as: (i) product source information, including the class of cannabis and the name, phone number and email of the cultivator or a manufacturer; (ii) a mandatory health warning, rotating between Heath Canada's list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content.

Advertising

The Cannabis Act introduced restrictions regarding the promotion of cannabis products. Subject to a few exceptions, all promotions of cannabis products are prohibited unless authorized by the Cannabis Act.

Health Products and Cosmetics Containing Cannabis

Health Canada has taken a scientific, evidence-based approach to the oversight of health products with cannabis that are approved with health claims, including prescription and non-prescription drugs, natural health products, veterinary drugs and veterinary health products, and medical devices. The Cannabis

Regulations do not apply to cannabis-derived ingredients that are exempt from the definition of "cannabis" (such as non-viable seeds, mature stalks without any leaf, flower, seed or branch, and roots of cannabis plants). These exempt ingredients, or cannabis-derived ingredients that contain no more than 10 parts per million (ppm) THC, and those which fall within the IHR, can be used in cosmetics and natural health products, so long as no health claims are made. There is currently no pathway for cannabis-derived ingredients that contain more than 10ppm THC or derivatives therefrom (THC/CBD) to be used in natural health products with health claims, cosmetics with cosmetic claims, OTCs, pet health products or foods. Phytocannabinoids are on the Prescription Drug List and can undergo Drug Identification Number (DIN) registration for use in human and veterinary drug products.

Cannabis for Medical Purposes

With the Cannabis Act and Cannabis Regulations having come into force on October 17, 2018, the medical cannabis regime migrated from the CDSA and the ACMPR to the Cannabis Act and the Cannabis Regulations. The medical cannabis regulatory framework under the Cannabis Act and the Cannabis Regulations remains substantively the same as existed under the CDSA and the ACMPR, with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system.

Under Part 14 of the Cannabis Regulations, patients have three options for obtaining cannabis for medical purposes: (i) they can continue to access cannabis by registering with Licensed Producers; (ii) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or (iii) they can designate someone else to produce cannabis for them. With respect to (ii) and (iii), starting materials, such as cannabis plants or seeds, must be obtained from Licensed Producers. Following the coming into force of the amendments to the Cannabis Regulations on October 17, 2019, patients with medical authorizations also have access to the new classes of cannabis (i.e. edible cannabis, cannabis extracts and cannabis topicals) as these become available from Licensed Producers in the medical market.

The Corporation is subject to changes in Canadian laws, regulations and guidelines which could adversely affect the Corporation's business, financial condition and results of operations.

Provincial and Territorial Developments

While the Cannabis Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the Cannabis Act provides that the provinces and territories of Canada have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), including sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

All Canadian provinces and territories have introduced regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. There are essentially three general frameworks adopted by the provinces and territories: (i) private cannabis retailers licensed by the province; (ii) government run retail stores; or (iii) a combination of both frameworks (e.g. privately licensed brick and mortar retail stores, while online retail stores are operated by the applicable provincial government). Regardless of the framework, the recreational cannabis market is ultimately supplied by federally licensed cultivators and processors. In many cases, the provinces that have or propose to have privately licensed retailers have or will have a government run wholesaler. Such privately licensed retail stores are or will be required to obtain their cannabis products from the wholesalers, while the wholesalers, in turn, acquire the cannabis products from the federally licensed cultivators and processors. In addition, each of these Canadian jurisdictions has established a minimum age of 19 years old, except for Alberta, where the minimum age is18 years old, and Québec, where the minimum age is 21 years old.

British Columbia

On May 31, 2018, the *Cannabis Control and Licensing Act* (British Columbia) (the "**BC Cannabis Act**") and the *Cannabis Distribution Act* (British Columbia), which contain the legal framework for recreational cannabis in British Columbia, came into force. British Columbia has adopted a hybrid framework that permits both government-run and privately-run physical retail stores. The provincial Liquor Distribution Branch ("**LDB**") is the only wholesale distributor of recreational cannabis and operates cannabis retail stores. In addition to public retail outlets operated by the LDB, the province plans to issue licenses to operate private retail stores. The LDB is also responsible for licensing and monitoring private, non-medical cannabis retail stores.

The BC Cannabis Act, among other things:

- sets the minimum age to purchase, sell or consume recreational cannabis in British Columbia as 19;
- stipulates that adults are allowed to possess up to 30 grams of cannabis in a public space;
- prohibits the use of cannabis on school properties and in vehicles; and
- authorizes adults to grow up to four cannabis plants per household, other than in properties that are used as day-cares, and requires that such plants not be visible from public spaces off the property.

On October 17, 2018: the *Cannabis Licensing Regulation* (British Columbia), the *Cannabis Control Regulation* (British Columbia), and the *Cannabis Control and Licensing Transitional Regulation* (British Columbia) came into force.

The *Cannabis Licensing Regulation* (British Columbia) establishes the regime governing the sale of recreational cannabis in British Columbia, including the licensing of privately-owned cannabis retail outlets. Among other things, the *Cannabis Licensing Regulation* (British Columbia):

- does not set a maximum number of licenses to be awarded, but stipulates that an applicant for a retail store licence or group of related persons must not hold more than 8 retail store licences;
- sets out the two classes of licences: retail store licences and marketing licences;
- authorizes the security manager to carry out investigations and background checks;
- sets out general rules and requirements with respect to licences;
- establishes the framework for compliance and enforcement, including the schedule for administrative monetary penalties and suspensions for non-compliance by licensees; and
- prohibits the opening of cannabis or consumption of cannabis in licenced retail stores and government cannabis stores.

Provincial and territorial legislation enacted for the purpose of regulating recreational cannabis are in infant stages and subject to change as governments adapt to this new regulatory environment. There can be no assurances that any such changes would be conducive to the Corporation's business model. Differences in provincial and territorial regulatory frameworks could result in, among other things, increased compliance costs, increased supply costs, or the Corporation's business model being prohibited or financially unfeasible in one or more jurisdictions. Municipal and regional governments may also choose to impose additional requirements and regulations on the sale of recreational cannabis, adding further uncertainty and risk to the Corporation's cannabis retail model. Municipal bylaws may restrict the number of recreational cannabis retail outlets that are permitted in a certain geographical area, or restrict the geographical locations wherein such retail outlets may be opened. There is no assurance that if and when provincial, territorial, regional and municipal regulatory frameworks are enacted, the Corporation will be able to navigate such regulatory frameworks or conduct its intended business thereunder.

The Corporation is subject to changes in provincial and territorial laws, regulations and guidelines which could adversely affect the Corporation's future business, financial condition and results of operations.

Functional Mushrooms

Functional mushrooms are considered Natural Health Products (NHP) and, as such, are defined and regulated by Health Canada's Natural and Non-Prescription Health Products Directorate (NNHPD), which involves a stringent licensing process and finished product testing.

The licensing requirements of the NNHPD apply to any person or company that manufactures, packages, labels and/or imports Natural Health Products for commercial sale in Canada. To be legally sold in Canada, all Natural Health Products must have a product license, and the Canadian sites that manufacture, package, label and import these products must have site licenses.

The Corporation will apply for both a Class 1 product license and a Class 2 product license once it receives its NHP site license from the NNHPD. Once Health Canada has assessed the Corporation's product and decided it is safe, effective, and of high quality, it will issue the Corporation a product license along with an eight-digit Natural Product Number (NPN) which must appear on the label. This number lets consumers know that the product has been reviewed and approved by Health Canada. There can be no assurance that the Corporation will receive a Class 1 product license or a Class 2 product license. If it does not receive the requisite product licenses, its business may be materially adversely affected. See "Risk Factors".

Significant Events and Milestones

The table below outlines how the Corporation will achieve the business objectives enumerated above over the next 12 months. See "*Narrative Description of the Business – Business of the Corporation*".

Milestone	Anticipated Cost	Anticipated Timing
Complete buildout & expansion of the Pemberton Facility	$25,000	Q4 2020
Acquire additional supplies for increased capacity, including grinders, labels, stamps, and scales	$50,000	Q4 2020 – Q1 2021
Reach 50% capacity with respect to contracts for toll processing, white labelling and private label	N/A	Q4 2020
Reach 100% capacity with respect to contracts for toll processing, white labelling and private label	N/A	Q4 2021
Hire additional staff for the Pemberton Facility	$300,000	Q4 2020 – Q4 2021

Milestone	Anticipated Cost	Anticipated Timing
Obtain Class 1 and a Class 2 Natural Health Products license from the NNHPD	$20,000	Q4 2020

Total Funds Available

As at September 30, 2020, the Corporation and Pure had combined working capital of approximately $1,500,000.

Purpose of Funds

The Corporation intends to use the working capital available as of September 30, 2020 for the fulfillment of its principal purposes as outlined in the table below and for general corporate purposes. Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Corporation to achieve its objectives. The Corporation may also require additional funds in order to fulfill its expenditure requirements to meet existing and any new business objectives and expects to either issue additional securities or incur debt to do so. There can be no assurance that additional funding required by the Corporation will be available, if required. However, it is anticipated that the available funds will be sufficient to satisfy the Corporation's objectives for the 12-month period following the completion of the Amalgamation.

Forecast 12 Month Budget

The Corporation has used, or intends to use, its available funds as follows:

Pemberton Facility Improvements and Equipment Purchases	$75,000
Investor Relations	$145,000
Business Development and Marketing	$150,000
General and administrative(1)	$1,103,000
Unallocated working capital	$27,000
Total	**$1,500,000.00**

Notes:
(1) Consists of wages and benefits ($700,000), rent ($158,000), professional fees ($100,000), Listing Statement and CSE listing costs ($100,000), travel ($20,000) and office and miscellaneous ($25,000).

Unallocated funds will be deposited in the Corporation’s bank account and added to the working capital of the Corporation. The Chief Financial Officer of the Corporation is responsible for the supervision of all financial assets of the Corporation. Based on the Corporation’s cash flow requirements, management will determine the appropriate level of liquidity required for operations and will draw down such funds as necessary.

There may be circumstances, where for business reasons, a reallocation of funds may be necessary in order for the Corporation to achieve its stated business objectives.

The Corporation has historically had negative cash flow from operating activities and the Corporation has no assurances that it will have a cash flow positive status from operating activities in future periods. As a result, the Corporation continues to rely on the issuance of securities or other sources of financing to generate sufficient funds to fund its working capital requirements and for corporate expenditures. The Corporation may continue to have negative cash flow from operating activities until sufficient levels of sales are achieved. To the extent that the Corporation has negative cash flow from operating activities in future periods, the Corporation may need to use a portion of proceeds from any offering to fund such negative cash flow or seek additional financing. See “Risk Factors – Additional Financing”.

Companies with Asset Backed Securities

The Corporation does not have any asset backed securities.

Companies with Mineral Projects

The Corporation does not have any mineral projects.

Companies with Oil and Gas Operations

The Corporation does not have any oil and gas operations.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The Corporation

The following table sets forth selected financial information for Big Sky for the years ended December 31, 2019 and 2018 and for the six months ended June 30, 2020. Such information is derived from the financial statements of the Corporation and should be read in conjunction with such financial statements. See *Schedule “B” – Financial Statements of Big Sky.*

	Six Months Ended June 30, 2020 (Unaudited) (C$)[(1)]	**Year Ended December 31, 2019 (Audited) (US$)**	**Year Ended December 31, 2018 (Audited) (US$)**
Operating Data:			
Total revenues	-	563	377
Total expenses	37,459	59,813	88,010
Net income (loss) for the year	(24,468)	(59,250)	(87,633)
Basic and diluted income (loss) per share	$0.00	(0.01)	(0.02)
Balance Sheet Data:			
Total assets	16,907	24,921	41,654
Total liabilities	242,540	179,794	133,314

Note:

(1) On January 1, 2020, the Company changed its presentation currency from the U.S. dollar to the Canadian dollar.

The following is a summary of Big Sky's financial results for the last eight quarters ending at the end of the most recently completed financial year:

	Dec. 31, 2019 Quarter (US$)	**Sep. 30, 2019 Quarter (US$)**	**Jun. 30, 2019 Quarter (US$)**	**Mar. 31, 2019 Quarter (US$)**	**Dec 31, 2018 Quarter (US$)**	**Sep. 30, 2018 Quarter (US$)**	**Jun. 30, 2018 Quarter (US$)**	**Mar. 31, 2018 Quarter (US$)**
Revenue	-	-	-	-	-	-	-	-
Net loss - continuing	(20,574)	(3,776)	(17,095)	(17,805)	(25,045)	(19,463)	(34,904)	(10,193)
Loss per share – continuing	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)

Pure

The following table sets forth selected financial information for Pure for the years ended June 30, 2020 and June 30, 2019. Such information is derived from the financial statements of Pure and should be read in conjunction with such financial statements. See *Schedule "C" – Financial Statements of Pure Extract Technologies Inc.*

	Year Ended June 30, 2020 (Audited) (C$)	**Year Ended June 30, 2019 (Audited) (C$)**
Operating Data:		
Total revenues	-	-
Total expenses	2,984,152	147,810
Net income (loss) for the year	(2,938,399)	(147,810)
Basic and diluted income (loss) per share	(0.52)	(0.05)
Balance Sheet Data:		
Total assets	4,428,677	902,219
Total liabilities	5,956,730	591,433

Pro Forma Financial Information

The following table summarizes selected pro forma consolidated financial information for the Corporation as at June 30, 2020. The information should be read in conjunction with the Pro Forma Financial Statements, which are attached hereto as Schedule "A".

	Big Sky (unaudited) as at June 30, 2020 (C$)	**Pure (audited) as at June 30, 2020 (C$)**	**Pro Forma Adjustments (unaudited) (C$)**	**Corporation Pro Forma (unaudited) as at June 30, 2020 (C$)**
Current assets	16,907	803,930	3,398,405	4,219,242
Total assets	16,907	4,428,677	3,398,405	7,843,989
Current liabilities	242,540	4,646,271	(3,907,248)	981,563
Total liabilities	242,540	5,956,730	(4,791,590)	1,407,680
Shareholders' equity (deficit)	(225,633)	(1,528,053)	8,189,995	6,436,309

Dividends

The future payment of dividends will be dependent upon the financial requirements of the Corporation to fund further growth, the financial condition of the Corporation and other factors which the Board of Directors may consider in the circumstances. It is not contemplated that any dividends will be paid in the immediate or foreseeable future, if at all.

Foreign GAAP

This item does not apply to the Corporation.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

Big Sky's MD&A for the year ended December 31, 2019 and for the six month period ended June 30, 2020 are attached to this Listing Statement as *Schedule "D" – MD&A of the Corporation.* Pure's MD&A for the years ended June 30, 2019 and June 30, 2018 are attached hereto as *Schedule "E" – MD&A of Pure Extract Technologies Inc.*

7. MARKET FOR SECURITIES

The Common Shares are currently unlisted. The Common Shares were previously listed on the NEX Board of the TSXV under the symbol "BSP.H" but were voluntarily delisted on October 27, 2020. It is expected that the Common Shares will be listed for trading on the CSE under the symbol "PULL".

8. CONSOLIDATED CAPITALIZATION

The outstanding capital of the Corporation consists of:

(1) 70,700,537 Common Shares.

(2) 12,464,992 Warrants entitling the holders thereof to purchase up to 12,464,992 Common Shares.

(3) 12,000,000 Performance Securities entitling the holders thereof to purchase up to 12,000,000 Common Shares.

(4) 10,636,675 Options entitling the holders thereof to purchase up to 10,636,675 Common Shares.

9. OPTIONS TO PURCHASE SECURITIES

Effective as of October 28, 2020, the Board of Directors has implemented a new stock option plan (the "**Option Plan**"), which will be submitted to the Shareholders for approval at the Corporation's next annual general meeting of Shareholders. The purposes of the Option Plan is to assist the Corporation in attracting, retaining and motivating directors, officers, employees, consultants and contractors (together, "**Service Providers**") of the Corporation and of its affiliates and to closely align the personal interests of such Service Providers with the interests of the Corporations and its shareholder.

The Option Plan provides that the aggregate number of securities reserved for issuance will be 15% of the number of Common Shares issued and outstanding from time to time.

The Option Plan is administered by the Board of Directors, which has full and final authority with respect to the granting of all options thereunder. Management proposes stock option grants to the Board of Directors based on such criteria as performance, previous grants, and hiring incentives.

Options may be granted under the Option Plan to such Service Providers of the Corporation and its affiliates, if any, as the Board of Directors may from time to time designate. The exercise prices will be determined by the Board of Directors, but will, in no event, be less than the closing market price of the Common on (a) the trading day prior to the date of grant of the stock options, and (b) the date of grant of the stock options. All options granted under the Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options granted under the Option Plan are not transferable or assignable other than by testamentary instrument or pursuant to the laws of succession.

The following stock options are outstanding under the Option Plan:

Optionee	Number of Options	Exercise Price	Expiry Date
All executive officers and past executive officers as a group (4 persons)	4,063,340	$0.075	November 1, 2024
	750,000	$0.075	October 28, 2025
	200,000	$0.30	October 28, 2025
	26,666	$0.528	June 22, 2023
All directors and past directors as a group, excluding executive officers and past executive officers (1 person)	500,000	$0.30	October 28, 2025
All other employees and past employees as a group (7 persons)	850,000	$0.02	March 1, 2025
	500,000	$0.02	December 30, 2024
	500,000	$0.075	June 16, 2025
	200,000	$0.30	June 16, 2025
All consultants as a group (14 persons)	600,000	$0.30	Two years from the date of listing
	100,003	$0.075	May 30, 2022
	33,333	$0.075	One year from the date of listing
	1,500,000	$0.30	October 28, 2023
	200,000	$0.30	October 28, 2025
	600,000	$0.30	October 28, 2022
	13,333	$0.528	June 22, 2023
Total	10,636,675		

10. DESCRIPTION OF THE SECURITIES

Corporation

The Corporation's authorized share capital consists of an unlimited number of Common Shares of which 70,700,537 Common Shares are issued and outstanding as of the date hereof.

Voting Rights

At a meeting of Shareholders, each Common Share entitles the holder thereof to one vote.

Rank

The Common Shares all rank equally with respect to the payment of dividends, return of capital and distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation. In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, whether voluntarily or involuntarily, the holders of Common Shares are entitled to participate equally, share for share, in the remaining property and assets of the Corporation available for distribution to shareholders, without preference or distinction.

Dividends

Holders of Common Shares are entitled to receive, dividends out of the assets of the Corporation legally available for the payment of dividends at such times and in such amount and form as the Board of Directors may from time to time determine and the Corporation will pay dividends thereon on a pari passu basis, if, as and when declared by the Board.

Debt Securities

The Corporation is only seeking a listing of the Common Shares and not a listing of any other securities, including but not limited to, debt securities.

Other Securities

The Corporation is only seeking a listing of the Common Shares and not a listing of any other securities, including but not limited to, other equity securities.

Modification of Terms

Provisions as to the modification of the terms of the Common Shares are contained in the BCBCA.

Other Attributes

Not applicable.

Prior Sales of Corporation Common Shares and Pure Shares

The Corporation

The following table set forth the issuances of Common Shares by the Corporation within the last twelve (12) months before the date of this Listing Statement.

Date Issued	Number of Common Shares	Issue Price per Share	Consideration
October 28, 2020	63,621,043	$0.30	Amalgamation Agreement[1]
October 28, 2020	5,000,000	$0.30	Finder's Fee[2]

Notes:

(1) See "General Development of the Business – The Amalgamation."

(2) Represents a finder's fee payable to arm's length finders in connection with the Amalgamation.

Pure

The following table sets forth the issuances of Pure Shares since incorporation of Pure:

Date Issued	Number of Pure Shares	Issue Price per Pure Share	Consideration
May 2, 2018[(1)]	1	$0.01	Cash
May 14, 2018	750,000	$0.16	Cash
May 14, 2018	2,250,000	$0.16	Assets
December 19, 2019[(2)]	5,000,000	$0.20	Conversion of Convertible Notes
October 28, 2020	4,500,000	$0.0533333	Conversion of the May 2019 Note[(3)(6)]
October 28, 2020	6,545,270	$0.20	Conversion of the June 2019 Note[(4)(6)]
October 28, 2020	9,812,615	$0.80	Conversion of the December 2019 Note and the January 2020 Note[(5)(6)]

Notes:

(1) Incorporator's share subsequently repurchased by the Corporation.

(2) This conversion of $1,000,000 principal amount of Convertible Notes was subsequently cancelled and these Pure Shares were returned to treasury.

(3) In accordance with its terms, prior to the completion of the Amalgamation the principal amount of $240,000 of the May 2019 Note automatically converted into 4,500,000 Pure Shares and 4,500,000 Pure Warrants, which were subsequently exchanged for 12,000,000 Common Shares and 12,000,000 Warrants pursuant to the Amalgamation resulting in an effective conversion price of $0.02 for each Common Share and Warrant.

(4) In accordance with its terms, prior to the completion of the Amalgamation the principal amount of $1,309,054 of the June 2019 Note automatically converted into 6,545,270 Pure Shares, which were subsequently exchanged for 17,454,053 Common Shares pursuant to the Amalgamation resulting in an effective conversion price of $0.075 for each Common Share.

(5) In accordance with their terms, prior to the completion of the Amalgamation the principal amount of $2,429,791 of the December 2019 Note and the principal amount of $5,420,301 of the January 2020 Note automatically converted into 9,812,615 Pure Shares, which were subsequently exchange for 26,166,973 Common Shares pursuant to the Amalgamation resulting in an effective conversion price of $0.30 for each Common Share.

(6) For a description of the Convertible Notes see "Narrative Description of the Business – Financings".

Stock Exchange Price

Big Sky's Common Shares were previously listed on the NEX Board of the TSXV under the trading symbol "BSP.H". Trading was halted on February 19, 2020 pending announcement of the Amalgamation and the Common Shares were voluntarily delisted from the NEX Board of the TSXV on October 27, 2020.

The following table sets forth high and low trading prices and volume on the TSXV for the periods indicated.

<table>
<tr><th></th><th colspan="2">Trading Price ($)[(1)]</th><th>Volume</th></tr>
<tr><th></th><th>High</th><th>Low</th><th></th></tr>
<tr><td>October 2020</td><td colspan="3">Halted</td></tr>
<tr><td>September 2020</td><td colspan="3">Halted</td></tr>
</table>

	Trading Price ($)[1]		Volume
	High	Low	
August 2020	Halted		
July 2020	Halted		
June 2020	Halted		
May 2020	Halted		
April 2020	Halted		
March 2020	Halted		
February 2020	0.065	0.050	7,500
January 2020	0.065	0.065	-
Q4 2019	0.100	0.055	140,700
Q3 2019	0.075	0.075	-
Q2 2019	0.080	0.070	55,200
Q1 2019	0.150	0.070	100,100
Q4 2018	0.100	0.080	17,440
Q3 2018	0.150	0.055	13,500
Q2 2018	0.055	0.020	116,200

11. ESCROWED SECURITIES

As required under the CSE Policies, certain holders of Common Shares, Options and Performance Securities have entered into an escrow agreement on the terms provided in NP 46-201. The securities subject to escrow will be released on scheduled periods specified in NP 46-201 for emerging issuers, that is, 10% will be released upon listing followed by six subsequent releases of 15% each every six months thereafter.

Name	Designation of Class	Securities to be held in Escrow (and % of the Common Shares)
Doug Benville	Common Shares	2,400,000 (3.4%)
	Performance Securities	3,600,000 (5.1%)
	Options	750,000 (1.1%)
Ben Nikolaevsky	Options	4,063,340 (5.7%)

Resale Restrictions

Pursuant to the terms of the Amalgamation Agreement and the Convertible Debentures, certain Common Shares, Performance Securities and Warrants issued pursuant to the Amalgamation are subject to voluntary hold periods commencing from the date of listing on the CSE, during which time such securities may not be transferred without the consent of the Corporation, as follows:

- 28,254,066 Common Shares are subject to an 18 month staged release (10% subject to a 3 month hold, 15% subject to a 7 month hold, 15% subject to a 9 month hold, 15% subject to a 12 month hold, 20% subject to a 15 month hold and 25% subject to an 18 month hold);
- 8,099,303 Common Shares are subject to a six month hold period;
- 18,067,670 Common Shares are subject to a four month hold period; and
- 12,000,000 Warrants and 7,200,000 Performance Securities are subject to an 18 month staged release (10% subject to a 3 month hold, 15% subject to a 7 month hold, 15% subject to a 9 month hold, 15% subject to a 12 month hold, 20% subject to a 15 month hold and 25% subject to an 18 month hold).

12. PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of the Corporation, no Person beneficially owns, directly or indirectly, or exercises control or direction over, voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation.

Voting Trusts

To the knowledge of the Corporation, no voting trust exists within the Corporation such that more than 10% of any class of voting securities of the Corporation are held, or are to be held, subject to any voting trust or other similar agreement.

Associates and Affiliates

To the knowledge of the Corporation none of the principal shareholders is an Associate or Affiliate of any other principal shareholder.

13. DIRECTORS AND OFFICERS

The following table lists the names, municipalities of residence of the directors and officers of the Corporation, their positions and offices held with the Corporation, their principal occupations during the past five (5) years and the number of Common Shares of the Corporation that are beneficially owned, directly or indirectly, or over which control or direction is exercised by each.

Name, Municipality of Residence and Position Held	Principal Occupation for Past Five Years	Director/Officer of the Corporation Since	Number and Percentage of Common Shares Owned
Ben Nikolaevsky(6) CEO and Director Toronto, Ontario	CEO of Pure (Nov. 2019 – Present); CEO and President of Natura Naturals Inc. (Jan. 2018- Feb. 2019; President and CEO of Blue Goose Capital Corp. (Jan. 2015- Nov. 2017)	CEO and Director since the Effective Date	Nil(1)

Name, Municipality of Residence and Position Held	Principal Occupation for Past Five Years	Director/Officer of the Corporation Since	Number and Percentage of Common Shares Owned
Doug Benville Chief Operating Officer and Director Whistler, British Columbia	President of Pure (May 2018 – Present); CEO & Director of DSD Manufacturing (March 2017 - November 2018)	COO and Director since the Effective Date	2,400,000 (3.4%)(2)
Yana Popova CFO, Corporate Secretary and Director Vancouver, British Columbia	CFO and Director of Isracann Biosciences Inc. (Nov. 2017 – Present); Accountant at Platinum Group Metals (2015-2017); Director and CFO of the Corporation (2018 – Present); director of Upper Canyon Minerals Corp. (2018 – 2019).	Since 2018	50,000 (0.1%)(3)
Sean Bromley(6) Director Vancouver, British Columbia	Business consultant (2015 – Present); Director of the Isracann Biosciences Inc. (Dec. 19, 2017 – Present); Director of White Gold Corp. (2016 – Present); Director of Pacific Rim Cobalt Corp. (2017 – Present); Chief Financial Officer of LoopShare Ltd. (2015 – 2018); Investment Advisor at Jordan Capital Markets (2013 – 2015); Director (2018 – Present) and CEO (2018 – 2020) of the Corporation; Director of Triangle Industries Inc. (2018 – Present); Director of BMGB Capital Corp. (2018 – Present)	Since 2018	100,000 (0.1%)(4)
Dwight Duncan(6) Director Windsor, Ontario	Senior Strategic Advisor at McMillan LLP, and also serves as a Principle of McMillan Vantage, the firm's wholly owned public policy advisory firm.	Since the Effective Date	Nil(5)

Notes:

(1) Mr. Nikolaevsky holds Options to purchase 4,063,340 Common Shares at an exercise price of $0.075 per share.

(2) Mr. Benville also holds 3,600,000 Performance Securities at an exercise price of $0.02 and Options to purchase 750,000 Common Shares at an exercise price of $0.075.
(3) Ms. Popova holds Options to purchase 13,333 Common Shares at an exercise price of $0.528 per share and 100,000 Common shares at an exercise price of $0.30.
(4) Mr. Bromley holds Options to purchase 13,333 Common Shares at an exercise price of $0.528 per share and 100,000 Common shares at an exercise price of $0.30.
(5) Mr. Duncan holds Options to purchase 500,000 Common Shares at an exercise price of $0.30.
(6) Member of the Audit Committee.

The terms of the foregoing director appointments shall expire at the next annual shareholders meeting.

Aggregate Ownership of Securities

As of the date of this Listing Statement, the directors, officers, and promoters of the Corporation, as a group, directly or indirectly beneficially own 2,550,000 Common Shares, representing approximately 3.6% of the issued and outstanding Common Shares on an undiluted basis.

Corporate Cease Trade Orders or Bankruptcies; Penalties or Sanctions; Personal Bankruptcies

No proposed director or officer of the Corporation or a Shareholder holding a sufficient number of Common Shares of the Corporation to affect materially the control of the Corporation:

(1) is, at the date of this Listing Statement, or has been, within 10 years before the date of this Listing Statement, a director, chief executive officer or chief financial officer of any company, including any personal holding company of such director, chief executive officer or chief financial officer that:

(i) while that person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied the other relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

(ii) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days issued after that person ceased to be a director or executive officer and which resulted from an event that occurred while the person was acting in such capacity; or

(2) is, at the date of this Listing Statement, or has been, within 10 years before the date of this Listing Statement, a director or executive officer of any company (including the Corporation and any personal holding company of such director or executive officer) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No proposed director of the Corporation has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

Conflicts of Interest

Conflicts of interest may arise since the directors, officers and promoters of the Corporation also hold positions as directors or officers of other companies. Some of the individuals who will be directors and officers of the Corporation have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Corporation will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies provided under the BCBCA.

Board and Management

Brief descriptions of the biographies for all of the proposed officers and directors of the Corporation are set out below:

Ben Nikolaevsky – Chief Executive Officer and Director

Mr. Nikolaevsky holds over a decade of experience in corporate leadership roles across the natural products, agriculture and cannabis sectors. Under his recent leadership as President & CEO of Natura Naturals Inc., a private Canadian cannabis Licensed Producer, the company was acquired by Tilray Inc. Prior to Natura, he was president & CEO of Blue Goose Capital Corp. Mr. Nikolaevsky served as Market Vice President, National Accounts at CIBC and as Chief Credit Officer & Capital Markets Manager at IBM Global Financing Canada. Mr. Nikolaevsky holds a B.A. (Economics – York University) and is a Certified Financial Auditor (Commercial Finance Association, New York, NY).

Mr. Nikolaevsky is party to an employment agreement with the Corporation which includes non-disclosure and non-solicitation provisions, bonus clauses and severance terms. Mr. Nikolaevsky is employed on a full time basis by the Corporation.

Doug Benville – Chief Operating Officer and Director

Doug Benville has been with Pure since its inception. He has several years of experience in the cannabis space, previously having worked as an extraction consultant in the legal recreational cannabis space for the last few years. He also acted as a cultivation consultant to patients growing and extracting under ACMPR licensing. Mr. Benville is highly proficient in cannabis cultivation, system operations and oil extraction.

Mr. Benville is a party to an employment agreement with the Corporation which includes non-disclosure and non-solicitation provisions, bonus clauses and severance terms. He is employed on a full time basis by the Corporation.

Yana Popova – Chief Financial Officer, Corporate Secretary and Director

Ms. Popova has over 13 years of accounting experience working with private and public companies. Throughout her career, she has acted as an accountant to multiple private and public companies. Ms. Popova was an accountant at Platinum Group Metals Ltd., a mining company focused on the production of platinum and palladium in South Africa, from January 2015 to September 2017. Ms. Popova is a current CFO and director of the Corporation (since August 2018), formerly a shell company.

Ms. Popova holds a Bachelor of Commerce and Economics degree from the University of Toronto, from which she graduated in 2005, and is a holder of the CPA designation.

Ms. Popova is not party to a written employment agreement with the Corporation. It is expected that Ms. Popova will devote approximately 30% of her time to the business of the Corporation to effectively fulfill her duties as Chief Financial Officer, Corporate Secretary and Director.

Sean Bromley – Director

Mr. Bromley has worked in corporate finance as a consultant since 2015. He was the CEO of the Corporation, formerly an inactive junior oil and gas company, from 2018 until completion of the Amalgamation. Mr. Bromley was an investment advisor at Jordan Capital Markets Inc., an investment dealer firm that was acquired by Mackie Research Capital Corporation in 2015, from June 2013 to June 2015. He was the CFO of LoopShare Ltd., a transportation as a service company, from November 2015 to June 2016 and June 2017 to November 2018. He was also the CEO of Winston Resources Corp., a mining exploration company, from November 2016 and March 2017. He is currently a director of Pacific Rim Cobalt Corp. (since October 2017), Triangle Industries Ltd. (since May 2018), the Corporation (since December 2018), White Gold Corp. (since October 2016) and BMGB Capital Corp. (since July 2018).

Mr. Bromley holds a Bachelor of Commerce from the University of Calgary, from which he graduated in 2013.

Mr. Bromley is an independent contractor and is not a party to any employment agreement with the Corporation. Mr. Bromley will devote such time as is necessary and appropriate to the business of the Corporation to effectively fulfill his duties as Director, which is estimated to be approximately 15% of his time.

Dwight Duncan – Proposed Director

Mr. Duncan serves as a Senior Strategic Advisor at McMillan LLP, a large Canadian full service business law firm. Mr. Duncan also serves as a Principle of McMillan Vantage, the firm's wholly owned public policy advisory firm. Mr. Duncan also Chairs the Board of Directors of the Windsor Detroit Bridge Authority, the federal crown corporation overseeing the construction and operation of the $5.7 billion Gordie Howe International Bridge.

Mr. Duncan was formerly a Member of the Ontario Legislature, where he served as Deputy Premier, Minister of Finance, Chair of the Management Board of Cabinet, Chair of Cabinet, Government House Leader, Minister of Energy, Minister of Revenue, Minister of Government Services and Opposition House Leader. Mr. Duncan currently sits on the Board of Directors, and Chairs the Audit Committees, of Travelers Insurance Canada and the Dominion General Insurance Company. In addition he sits on the Boards of Directors of Crown Crest Trust, and the Global Risk Institute. Mr. Duncan holds a Bachelor of Commerce (Hons) and MBA (University of Windsor) as well as a B.A. (Economics – McGill University).

Mr. Duncan is not a party to any employment agreement with the Corporation. Mr. Duncan will devote such time as is necessary and appropriate to the business of the Corporation to effectively fulfill his duties as Director, which is estimated to be approximately 5% of his time.

Key Employees

Andy Gauvin – Director of Sales

Mr. Gauvin is an accomplished, bilingual, senior sales leader that brings over 30 years of experience in the cannabis and alcohol beverage space. Most recently, Mr. Gauvin was the Vice President of Sales with a start-up licensed cannabis producer, Natura Naturals Inc. He established relationships with key provincial cannabis customers, developed sales strategies and played an important role in product development. In his previous role as Vice President of Sales Canada, with Moosehead Breweries, he built and developed a national sales strategy that incorporated all of the unique aspects from each province including jurisdictional P&L, formal sales management and built a sales culture that held sales people accountable and focused on results. Mr. Gauvin also brings extensive knowledge of navigating the complex federal and provincial regulatory environment.

Mr. Gauvin is party to an employment agreement with the Corporation which includes non-disclosure and non-solicitation provisions, bonus clauses and severance terms. Mr. Gauvin is employed on a full time basis by the Corporation.

Alexander C. Logie – Director of Business Development

Mr. Logie is a serial entrepreneur with over 30 years of experience in the financial services sector. He co-founded Crane Capital and Mercury Capital, both successfully acquired by asset management firms. Mr. Logie recently held the position of interim CFO, acting COO and SVP of Business Development at Natura Naturals Inc., a privately held Licensed Producer of cannabis that was acquired by Tilray Inc. (Nasdaq: TLRY) at the start of 2019.

Mr. Logie is party to an employment agreement with the Corporation which includes non-disclosure and non-solicitation provisions, bonus clauses and severance terms. Mr. Logie is employed on a full time basis by the Corporation.

14. CAPITALIZATION

The following chart is with respect to the Common Shares:

	Number of Securities (non-diluted)	**Number of Securities (fully-diluted)**	**% of Issued (non-diluted)**	**% of Issued (fully-diluted)**
<u>Public Float</u>				
Total outstanding (A)	**70,700,537**	**105,802,204**	**100%**	**100%**
Held by Related Persons or employees of the Corporation or Related Person of the Corporation, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Corporation (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Corporation upon exercise or conversion of other securities held) (B)	2,550,000	11,690,006	3.6%	11.1%
Total Public Float (A-B)	**68,150,537**	**94,112,198**	**96.4%**	**88.9%**
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and	61,821,039	89,434,379	**87.4%**	**84.7%**

	Number of Securities (non-diluted)	Number of Securities (fully-diluted)	% of Issued (non-diluted)	% of Issued (fully-diluted)
securities held by control block holders (C)				
Total Tradeable Float (A-C)	**8,879,498**	**16,367,825**	**12.6%**	**15.3%**

Public Securityholders (Registered)

Common Shares of the Corporation		
Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	5	16,834
4,000 – 4,999 securities	0	0
5,000 or more securities	535	66,820,149
Total:	**540**	**66,836,983**

Public Securityholders (Beneficial)

Common Shares of the Corporation		
Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	75	4,190
100 – 499 securities	19	5,222
500 – 999 securities	17	16,463
1,000 – 1,999 securities	5	10,207
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	6	40,472
4,000 – 4,999 securities	0	0
5,000 or more securities	16	1,237,000
Total:	**138**	**1,313,554**

Non-Public Securityholders (Registered)

Common Shares of the Corporation		
Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	0	0

Common Shares of the Corporation		
Size of Holding	**Number of holders**	**Total number of securities**
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	3	2,550,000
Total:	**3**	**2,550,000**

Convertible/Exchangeable Securities

The following are details for any securities convertible or exchangeable into Common Shares:

Description of Security	Number of convertible/exchangeable securities	Number of listed securities issuable upon conversion/exchange
Performance Securities(1) $0.02 Expiry Date: October 16, 2025	12,000,000	12,000,000 Common Shares
Warrants(1) $0.05 Expiry Date: October 28, 2022	12,000,000	12,000,000 Common Shares
Finders Warrants(1) $0.50 Expiry Date: October 28, 2022	464,992	464,992 Common Shares
Options(2) $0.02 to $0.528 Expiry Date: Ranging between October 28, 2022 and October 28, 2025	10,636,675	10,636,675 Common Shares

Notes:

(1) See "Narrative Description of the Business – Financings".

(2) See "Options to Purchase Securities".

Other Listed Securities

The Corporation does not have any other Common Shares reserved for issuance that are not included in section 14.

15. EXECUTIVE COMPENSATION

In this section "Named Executive Officer" (an "**NEO**") means each individual who acted as chief executive officer of the Corporation, or acted in a similar capacity, for any part of the most recently completed financial year (a "**CEO**"), each individual who acted as chief financial officer of the Corporation, or acted in a similar capacity, for any part of the most recently completed financial year (a "**CFO**") and each of the three most highly compensated executive officers, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than CDN$150,000 as well as any additional individuals for whom disclosure would have been provided except that the individual was not serving as an executive officer of the Corporation at the end of the most recently completed financial year.

During the financial year ended December 31, 2019, Big Sky had two NEOs, being Sean Bromley and Yana Popova. During the financial year ended June 30, 2020, Pure had two NEOs, being Ben Nikolaevsky and Doug Benville.

Compensation Discussion and Analysis

The Corporation's executive compensation is intended to be consistent with the Corporation's business plans, strategies and goals, including the preservation of working capital. The Corporation's executive compensation program is intended to provide appropriate compensation that permits the Corporation to attract and retain highly qualified and experienced senior executives and to encourage superior performance by the Corporation. The Corporation's compensation policies are intended to motivate individuals to achieve and to award compensation based on corporate and individual results.

The Board of Directors has appointed a Compensation Committee to determine the compensation of the Corporation's directors and NEOs. The Compensation Committee intends for executive compensation to be consistent with the Corporation's business plans, strategies and goals, including the preservation of working capital as the Corporation seeks to grow its business. Executive compensation is intended to provide appropriate compensation that permits the Corporation to attract and retain highly qualified and experienced senior executives and to encourage superior performance by the Corporation. The Corporation's compensation policies are intended to motivate individuals to achieve and to award compensation based on corporate and individual results.

The Corporation has adopted an Option Plan to assist the Corporation in attracting, retaining and motivating directors, officer, employees, consultants and contractors of the Corporation and of its affiliates and to closely align the personal interests of such service providers with the interests of the Corporation and the Shareholders. As of the date of this Listing Statement, including Options issued in exchange for Pure Options pursuant to the Amalgamation, the Corporation has granted 10,636,675 Options. See "*Options to Purchase Securities*."

Summary of Compensation

The following table is a summary of compensation incurred to the Named Executive Officers for Big Sky's financial years ended December 31, 2019 and 2018:

					Non-equity incentive Plan compensation ($)				
Name & Principal Position	**Year**	**Salary, consulting fee, retainer or commission ($)**	**Share-Based Awards ($)**	**Option-based Awards ($)**	**Annual Incentive Plans**	**Long-term incentive plans**	**Pension ($)**	**All other Compen-sation(2) ($)**	**Total Compen-sation ($)**
Sean Bromley CEO	2019	18,900	Nil	Nil	Nil	Nil	Nil	Nil	18,900
	2018	18,900	Nil	Nil	Nil	Nil	Nil	Nil	18,900
Yana Popova	2019	22,050	Nil	Nil	Nil	Nil	Nil	Nil	22,050
	2018	24,150	Nil	Nil	Nil	Nil	Nil	Nil	24,150

Incentive Plan Awards

There were no outstanding share-based awards or option-based awards held by the Named Executive Officers as at December 31, 2018 and no incentive plan awards were vested in or earned by the Named Executive Offices during the year ended December 31, 2018.

Pension Plan Benefits

The Corporation does not provide retirement benefits for directors or executive officers.

Termination and Change of Control Benefits

The Corporation has no contracts, agreements, plans or arrangements that provide for payments to a Named Executive Officer at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Corporation or a change in a Named Executive Officer's responsibilities.

Director Compensation

The Corporation does not compensate its directors in their capacities as such, although directors of the Corporation may be granted incentive stock options from time to time and may be reimbursed for their expenses incurred in connection with their services as directors and certain directors may be compensated for services as consultants or experts.

The Corporation has no pension plan or arrangement for cash compensation or non-cash compensation to the Other Directors of the Corporation except stock options.

Pure

The following table is a summary of compensation paid to the Named Executive Officers of Pure for the years ended June 30, 2020 and 2019:

					Non-equity incentive Plan compensation ($)				
Name & Principal Position	**Year**	**Salary, consulting fee, retainer or commission ($)**	**Share-Based Awards ($)**	**Option-based Awards ($)**	**Annual Incentive Plans**	**Long-term incentive plans**	**Pension ($)**	**All other Compen-sation ($)**	**Total Compen-sation ($)**
Doug Benville COO and former CEO	2020	152,215	Nil	Nil	Nil	Nil	Nil	Nil	152,215
	2019	10,833	Nil	Nil	Nil	Nil	Nil	Nil	10,883
Ben Nikolaevsky CEO	2020	106,250	76,173	Nil	Nil	Nil	Nil	Nil	182,423
	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the executive officers, directors or employees or any former executive officers, directors or employees of the Corporation or Amalco or any proposed nominee for election as a director of the Corporation or Amalco or any of their respective associates is or has been indebted to the Corporation or Amalco or has been indebted to any other entity where that indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation and Amalco.

17. RISK FACTORS

An investment in our common shares involves a substantial risk of loss. You should carefully consider these risk factors, together with all of the other information included in this Listing Statement, before you decide to purchase our common shares. The occurrence of any of the following risks could materially adversely affect our business, financial condition or operating results. In that case, the trading price of our common shares could decline, and you may lose part or all of your investment. These risk factors are not a definitive list of all risk factors associated with an investment in the Corporation or in connection with the Corporation’s operations. There may be other risks and uncertainties that are not known to the Corporation or that the Corporation currently believes are not material, but which also may have a material adverse effect on its business, financial condition, operating results or prospects. In that case, the trading price of the common shares could decline substantially, and investors may lose all or part of the value of the common shares held by them.

An investment in securities of the Corporation should only be made by persons who can afford a significant or total loss of their investment.

Risks Related to the Cannabis Operations of the Corporation

Regulatory Risks

The business and activities of the Corporation will be heavily regulated in all jurisdictions where it will carry on business. The proposed activities of the Corporation will be subject to various laws, regulations and guidelines by governmental authorities, including, but not limited to, Health Canada. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Corporation, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Corporation's products and services. The Corporation's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products and/or provision of its services. The Corporation cannot predict the time required to secure all appropriate regulatory approvals for its products and services, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

Although the operations of the Corporation y are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Corporation's ability to conduct business in the jurisdictions and industries in which it currently operates or intends to operate, including the cannabis and natural health supplements industries. Amendments to current laws and regulations governing the Corporation's current and/or intended operations, more stringent implementation thereof or other unanticipated events could have a material adverse impact on the business, financial condition and operating results of Corporation.

Regulatory Approvals, Permits and Licenses

If obtained, any licenses the Corporation obtains in Canada and/or abroad are expected to be subject to ongoing compliance and reporting requirements. Although the Corporation believes it will meet the requirements for their applications and future renewals for their licenses (if awarded), there can be no guarantee that government bodies will award or renew any applicable licenses or, if renewed, that such licenses will be renewed on the same or similar terms or that regulatory authorities will not revoke any licenses. Failure by the Corporation to comply with the requirements of their licenses or any failure to maintain such licenses would have a material adverse impact on the business, financial condition and operating results of the Corporation. Should any jurisdiction in which the Corporation considers a license important not grant, extend or renew such license or should it renew such license on different terms, or should it decide to grant more than the anticipated number of licenses to other businesses, the business, financial condition and results of operations of the Corporation could be materially adversely affected.

Government licenses are currently, and in the future may be, required in connection with the Corporation's operations, in addition to other unknown permits and approvals which may be required. To the extent such permits and approvals are required and not obtained, the Corporation may be prevented from operating and/or expanding its business, which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Changes in Laws, Regulations and Guidelines

The Corporation's operations will be subject to various laws, regulations, guidelines and licensing requirements both in Canada and potentially abroad. The Corporation is expected to be in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Corporation could have a material adverse effect on the Corporation's business, results of operations and financial condition. In particular, any amendment to or replacement of the Cannabis Act, may cause adverse effects to the Corporation's operations.

On April 13, 2017, the Canadian Federal Government put forward proposed legislation, the Cannabis Act, outlining the framework for the legalization of adult use cannabis, as well as laws to address drug-impaired driving, protect public health and safety and prevent youth access to cannabis. The provincial and municipal governments have been given explicit authority by the Federal Government to provide regulations regarding retail and distribution, as well as the ability to alter some of the existing baselines, such as increasing the minimum age of 18 years for purchase and consumption of cannabis. On June 21, 2018, the Cannabis Act received Royal Assent and came into force on October 17, 2018. The ACMPR will continue to operate in tandem with the recreational regime, and will be re-evaluated within five years of the Cannabis Act coming into force. Although the impact of such changes is uncertain and highly dependent on which specific laws or regulations are changed, the impact on the Corporation should be comparable to other companies in the same business as the Corporation.

Further, the general legislation framework pertaining to the Canadian recreational cannabis market is subject to significant provincial and territorial regulation, which varies across provinces and territories. Unfavourable regulatory changes, delays or both may therefore materially and adversely affect the future business, financial condition and results of operations of the Corporation.

In addition, the cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Corporation's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Corporation's earnings and could make future capital investments or the Corporation's operations uneconomic.

The Canadian Cannabis Market

As an anticipated license holder under the Cannabis Act, the Corporation will be operating its business in a relatively new industry and market. In addition to being subject to general business risks, the Corporation must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry and market could have a material adverse effect on the Corporation's business, financial conditions and results of operations.

Risks Related to the Functional Mushroom Operations of the Corporation

Requirement for Licenses Which Have Yet Not Been Obtained and Licensing Risks

The Corporation's ability to sell its products in Canada is dependent on the Corporation receiving its required licenses under the NNHPD. None of the Corporation's planned products have received the required licenses yet and there is a risk that its proposed products may never obtain the required product licenses or that the Corporation will not obtain the Canadian Authorizations on the timeline anticipated by the Corporation. The timing and success of an applicant under the NNHPD at the various steps in the authorization process is beyond the Corporation's control and is in the sole discretion of Health Canada. If the Corporation is able to obtain the requisite licenses, failure to comply with the requirements of any of the licenses could have a material adverse impact on the business, financial condition and operating results of the Corporation.

Raw Materials

The Corporation will be required to acquire enough mushrooms so that its functional mushroom products can be produced to meet the demand of its customers. A mushroom shortage could result in loss of sales and damage to the Corporation. If the Corporation becomes unable to acquire commercial quality mushrooms on a timely basis and at commercially reasonable prices, and is unable to find one or more replacement suppliers with the regulatory approvals to supply mushrooms at a substantially equivalent cost, in substantially equivalent volumes and quality, and on a timely basis, the Corporation's will likely be unable to meet customer demand.

Consumer Perception of Mushrooms

The Corporation is dependent upon consumer perception of mushrooms and mushroom-derived products. The public may associate its mushrooms with illegal psychoactive mushrooms, which are prohibited substances. If the mushroom market declines or mushroom-derived products fail to achieve substantially greater market acceptance than they currently enjoy, the Corporation will not be able to grow its revenues sufficiently for it to achieve consistent profitability from its functional mushroom operations. Sales could be adversely affected if consumers in target markets lose confidence in the safety, efficacy, and quality of mushrooms. Adverse publicity about mushroom-derived products that the Corporation sells may discourage consumers from buying the Corporation's functional mushroom products. The Corporation's revenues may thus be negatively impacted if the market does not fully accept mushrooms-based health-food products.

Risks Related to the Cannabis and Functional Mushroom Industries

Legislative or Regulatory Reform

The Corporation's operations will be subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import, export, management, packaging/labeling, advertising, sale, transportation, storage and disposal of cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. While to the knowledge of the Corporation's management, the Corporation is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of the Corporation, may cause adverse effects to its operations and financial condition.

The recreational and medical cannabis industries and the functional mushroom industry are relatively new markets and the Corporation anticipates that such regulations will be subject to change as the Federal Government monitors licensed companies.

Unfavourable Publicity or Consumer Perception

Management of the Corporation believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Corporation's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Corporation's proposed products and the business, results of operations, financial condition and cash flows of the Corporation. The Corporation's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Corporation, the demand for the Corporation's proposed products, and the business, results of operations, financial condition and cash flows of the Corporation.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Corporation's proposed products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Development of Brands, Products and Services

If the Corporation cannot successfully develop, manufacture, distribute and provide its brands, products and services, or if the Corporation experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Corporation may not be able to develop successful brands, market-ready commercial products at acceptable costs, or provide sufficient services, which would adversely affect the Corporation's ability to effectively enter the market. A failure by the Corporation to achieve a low-cost structure through economies of scale or improvements in its manufacturing processes would have a material adverse effect on the Corporation's commercialization plans and the Corporation's business, prospects, results of operations and financial condition.

Entry Bans into the United States

Cannabis is illegal under United States (U.S.) federal law. Individuals employed at or investing in cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with cannabis businesses. Entry to the U.S. is granted at the sole discretion of Customs and Border Protection ("**CBP**") officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers that previous use of cannabis, or any substance prohibited by U.S. federal laws, could result in denial of entry to the U.S. business or financial involvement in the cannabis industry in Canada or in the U.S. could also be reason enough for CBP officers to deny entry. On September 21, 2018, CBP released a statement outlining its position with respect to enforcement of the laws of the U.S. It stated that Canada's legalization of cannabis will not change CBP enforcement of U.S. laws regarding controlled substances and because cannabis continues to be a controlled substance under U.S. law, working in or facilitating the proliferation of the cannabis industry in U.S. states or Canada may affect admissibility to the U.S. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S.; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible. Employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as the Corporation), who are not U.S. citizens, face the risk of being barred from entry into the U.S. for life.

If any of the Corporation's directors, officers and employees are determined to be inadmissible to enter the United States, this could have a negative impact on the Corporation's ability to operate in the U.S. In addition, the perception that involvement in the cannabis industry could lead to inadmissibility to the U.S. could make it more difficult for the Corporation to continue to retain and engage qualified directors, officers and employees in the future.

Product Liability

If licensed as a distributor of products designed to be ingested by humans, the Corporation faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Corporation's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Corporation's products alone or in combination with other medications or substances could occur. The Corporation may be subject to various product liability claims, including, among others, that the Corporation's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Corporation could result in increased costs, could adversely affect the Corporation's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Corporation. There can be no assurances that the Corporation will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Corporation's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Corporation's products are recalled due to an alleged product defect or for any other reason, the Corporation could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Corporation may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Corporation has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Corporation's significant brands were subject to recall, the image of that brand and the Corporation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Corporation's products and could have a material adverse effect on the results of operations and financial condition of the Corporation. Additionally, product recalls may lead to increased scrutiny of the Corporation's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Competition

There is potential for the Corporation to face intense competition from other companies, some of which have longer operating histories and more financial resources, industry, manufacturing and marketing experience than the Corporation. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger and better-financed competitors with geographic and other structural advantages could materially and adversely affect the proposed business, financial condition and results of operations of the Corporation. To date, the application process to secure a license under the Cannabis Act has remained rigorous and highly competitive. Because of the early stage of the industry in which the Corporation operates, the Corporation expects to face additional competition from new entrants.

If the number of users of medical and/or recreational cannabis and functional mushroom products in Canada increases, the demand for products will increase and the Corporation expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Corporation will require a continued high level of investment in research and development, marketing, sales and client support. The Corporation may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of the Corporation.

Client Acquisition and Retention

The Corporation's success will depend to a substantial extent on the willingness of new LPs and new customers to try or migrate to its service and products. If customers do not perceive the benefits of the Corporation's products or services, then the market for these products and services may not develop at all, or it may develop more slowly than expected, either of which would significantly adversely affect operating results. In addition, as a new company in this competitive market, the Corporation has limited insight into trends that may develop and affect its business. The Corporation may make errors in predicting and reacting to relevant economic and currency-related trends, which could harm its business.

There are many factors which could impact the Corporation's ability to attract and retain customers, including but not limited to, the Corporation's ability to provide desirable and effective products and services, the Corporation's ability to successfully implement a customer-acquisition plan, continued growth in the number of medical and recreational cannabis users and the number of competitors providing similar products and services.

Transportation Risks

Due to the perishable nature of its proposed products, the Corporation will depend on fast and efficient third-party transportation services to distribute its product. Any prolonged disruption of third-party transportation services could have an adverse effect on the financial condition and results of operations of the Corporation.

Market Unpredictability

Because the cannabis and functional mushroom industries are in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Corporation and, few, if any, established corporations whose business model the Corporation can follow or upon whose success the Corporation can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Corporation. There can be no assurance that the Corporation's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Corporation regularly purchases and follows market research.

Business in New Industries

The cannabis and functional mushroom industries are relatively new, and the sale of cannabis extracts, mushroom extracts and various derivative products even more so. There can be no assurance that an active and liquid market for the Common Shares of the Corporation will develop and Shareholders may find it difficult to resell their Common Shares. Accordingly, no assurance can be given that the Corporation will be successful in the long term.

Fraudulent or Illegal Activity

The Corporation is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Corporation that violate government regulations. It is not always possible for the Corporation to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Corporation to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Corporation from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Corporation, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Corporation's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Corporation's operations, any of which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Risks Related to the Operations of the Corporation Generally

Risks related to the Corporation's Facilities

Any adverse changes affecting the development of the Pemberton Facility and commencement of processing could have a material and adverse effect on the Corporation's business, financial condition and prospects. There is a risk that these changes or developments could adversely affect the Corporation's facilities by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

(a) delays in obtaining, or conditions imposed by, regulatory approvals;

(b) plant design errors;

(c) environmental pollution;

(d) non-performance by third party contractors;

(e) increases in materials or labour costs;

(f) construction performance falling below expected levels of output or efficiency;

(g) breakdown, aging or failure of equipment or processes;

(h) contractor or operator errors;

(i) labour disputes, disruptions or declines in productivity;

(j) inability to attract sufficient numbers of qualified workers;

(k) disruption in the supply of energy and utilities;

(l) major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms;

(m) contamination of third-party acquired biomass;

(n) inability to source processing solvents and product ingredients for manufactured products;

(o) unfavourable changes in local by-laws and regulations; or

(p) flooding of the industrial park where the Pemberton Facility is located.

It is also possible that the costs of commencing analytical and research services and hemp/cannabis cultivation, as applicable, may be significantly greater than anticipated by the Corporation's management and may be greater than funds available to the Corporation, in which circumstance the Corporation may curtail, or extend the timeframes for completing its business plans. This could have an adverse effect on the financial results of the Corporation.

Environmental Risk and Regulation

The Corporation's operations are subject to environmental regulation in the various jurisdictions in which it operates or intends to operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations.

Government approvals and permits are currently, and may in the future, be required in connection with the Corporation's operations.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Corporation may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Limited Operating History

Pure was incorporated and began carrying on business in May of 2018. The Corporation is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on Shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Volatile Stock Price

The stock price of the Corporation is expected to be highly volatile and will be drastically affected by governmental and regulatory regimes and community support for the cannabis industry. The Corporation cannot fully predict the results of its operations expected to take place in the future. The results of these activities will inevitably affect the Corporation's decisions related to future operations and will likely trigger major changes in the trading price of the Corporation shares.

Energy Costs

The Corporation's cannabis processing operations will consume considerable energy, which will make it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Corporation and its ability to operate profitably.

Shelf Life Inventory

The Corporation intends to hold finished goods in inventory and such inventory will have a shelf life. Even though it is the intention of the Corporation's management to review the amount of inventory on hand in the future, write-down of inventory may still be required. Any such write-down of inventory could have a material adverse effect on the Corporation's proposed business, financial condition, and results of operations.

Reliance on Management

Another risk associated with the production and sale of cannabis extracts is the loss of important staff members. The Corporation is currently in good standing with all high-level employees and believes that with well managed practices it will remain in good standing. The success of the Corporation will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Corporation's business, operating results or financial condition.

In addition, the Corporation's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Corporation may incur significant costs to attract and retain them.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. In particular, certain of the directors and officers of the Corporation are involved in managerial and/or director positions with other companies whose operations may, from time to time, be in direct competition with those of the Corporation. Conflicts, if any, will be subject to the procedures and remedies available under the BCBCA. In the event that any such conflict of interest arises, a director or officer who has such a conflict will disclose the conflict to a meeting of the directors of the Corporation and, if the conflict involves a director, the director will abstain from voting for or against the approval of such a participation or such terms. In appropriate cases, the Corporation will establish a special committee of independent directors to review a matter in which several directors, or Management, may have a conflict. In accordance with the provisions of the BCBCA the directors and officers of the Corporation are required to act honestly in good faith, with a view to the best interests of the Corporation. In determining whether or not the Corporation will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Corporation, the degree of risk to which the Corporation may be exposed and its financial position at that time.

Insurance and Uninsured Risks

The Corporation's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Corporation maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Corporation may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Corporation is not generally available on acceptable terms. The Corporation might also become subject to liability for pollution or other hazards which may not be insured against or which the Corporation may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Corporation to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Dependence on Suppliers and Skilled Labour

The ability of the Corporation to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to sufficient cannabis and mushroom biomass, skilled labour, equipment, parts and components. No assurances can be given that the Corporation will be successful in maintaining its required supply of biomass, skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of the Corporation.

Difficulty to Forecast

The Corporation must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

Additional Financing

There is no guarantee that the Corporation will be able to execute on its business strategy. The continued development of the Corporation may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business strategy or the Corporation ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Corporation. In addition, from time to time, the Corporation may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Corporation's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Corporation to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Further, the Corporation's business activities rely on newly established and/or developing laws and regulations in Canada. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Corporation's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by Health Canada or the CSE. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Corporation's industry may adversely affect the business and operations of the Corporation, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Corporation.

Management of Growth

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Internal Controls

Effective internal controls are necessary for the Corporation to provide reliable financial reports and to help prevent fraud. Although the Corporation will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Corporation under Canadian securities laws, the Corporation cannot be certain that such measures will ensure that the Corporation will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Corporation's results of operations or cause it to fail to meet its reporting obligations. If the Corporation or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's consolidated financial statements and materially adversely affect the trading price of the Common Shares.

Liquidity

The Corporation cannot predict at what prices the Corporation's Common Shares will trade, and there can be no assurance that an active trading market in the Corporation will develop or be sustained. Final approval of the CSE has not yet been obtained. There is a significant liquidity risk associated with an investment in the Corporation.

Dilution

The Corporation may issue equity securities to finance its activities, including future acquisitions. If the Corporation was to issue Common Shares, existing holders of such shares may experience dilution in their holdings. Moreover, when the Corporation's intention to issue additional equity securities becomes publicly known, the Corporation's share price may be adversely affected.

Litigation

The Corporation may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Corporation becomes involved be determined against the Corporation, such a decision could adversely affect the Corporation's ability to continue operating and the market price for the Common Shares and could consume significant resources. Even if the Corporation is involved in litigation and wins, litigation can redirect significant resources of the Corporation**.**

The Effects of Health Epidemics (Including the Global COVID-19 Pandemic)

In December 2019, a novel strain of COVID-19 was reported in China. Since then, the COVID-19 has spread globally including across North America. The spread of COVID-19 from China to other countries has resulted in the World Health Organization (WHO) declaring the outbreak of COVID-19 as a "pandemic," or a worldwide spread of a new disease, on March 11, 2020. Many countries around the world, including Canada and the United States, have imposed quarantines and restrictions on travel and mass gatherings to slow the spread of the virus, and have closed non-essential businesses.

The Corporation's business could be materially and adversely affected by the risks, or the public perception of the risks, related to the outbreak of COVID-19. The risk of a pandemic, or public perception of the risk, could cause temporary or long-term disruptions to the Corporation's supply chains and/or its service providers or could result in reduced spending on the Corporation's products and services. "Shelter-in-place" or other such orders by governmental entities could also disrupt the Corporation's operations if employees who cannot perform their responsibilities from home are not able to report to work.

The spread of COVID-19, which has caused a broad impact globally, may materially affect the Corporation economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing the Corporation's ability to access capital, which could in the future negatively affect liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect the Corporation's business and the value of its common stock.

The global outbreak of COVID-19 continues to rapidly evolve. The extent to which COVID-19 may impact the Corporation's business, operations and financial performance will depend on future developments, including the duration of the outbreak, travel restrictions and social distancing in Canada and other countries, changes to the regulatory regimes under which we operate, the effectiveness of actions taken in Canada and other countries to contain and treat the disease and whether the Canada and additional countries are required to move or return to complete lock-down status. The ultimate long-term impact of COVID-19 is highly uncertain and cannot be predicted with confidence.

Inability to Protect Intellectual Property Rights

The Corporation's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Corporation is able to do so, to protect any proprietary rights of the Corporation, the Corporation intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Corporation's intellectual property:

- patents in the cannabis and beverage industry involve complex legal and scientific questions and patent protection may not be available for some or any products;
- the Corporation's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
- issued patents, trademarks and registered copyrights may not provide the Corporation with competitive advantages;
- the Corporation's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;
- the Corporation's efforts may not prevent the development and design by others of products similar to or competitive with, or superior to those the Corporation develops;
- another party may obtain a blocking patent and the Corporation would need to either obtain a licence or design around the patent in order to continue to offer the contested feature or service in its products; or
- the expiration of patent or other intellectual property protections for any assets owned by the Corporation could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Corporation and its financial results will depend, among other things, upon the nature of the market and the position of the Corporation's products in the market from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

Reliance on Information Technology Systems and Cyberattacks

The Corporation has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("**IT**") services in connection with its operations. The Corporation's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Corporation's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Corporation's reputation and results of operations.

The Corporation has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Corporation will not incur such losses in the future. The Corporation's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Corporation may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Risks Associated with Potential Entry into Psychoactive Product Market

Given the illegality of most psychedelic compounds since the 1960's and the stigma often associated with such compounds, the psychedelic industry is a relatively new and rapidly transforming industry. Should the Corporation enter the market for psychoactive compounds, the Corporation will be operating a part of its business in a very new industry and market. In addition to being subject to the various business risk associated with entry into new markets, the Corporation would have to build brand awareness in this industry through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. The psychedelic market faces specific marketing challenges given the products' status as a controlled substance, which resulted in past and current public perception that the products have negative health and lifestyle effects and have the potential to cause physical and social harm due to psychoactive and potentially addictive effects. Any future marketing efforts undertaken by the Corporation would need to overcome this perception to build consumer confidence, brand recognition and goodwill.

In addition, there would be no assurance that the psychedelic market and industry would continue to exist and grow as anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the psychedelic industry and market could have a material adverse effect on the Corporation's business, financial conditions and results of operations. Furthermore, the Corporation's potential foray into the market for psychoactive compounds for use in medical research would compete with other entities that are developing or supplying psychoactive compounds for use in medical research, including clinical trials.

18. PROMOTERS

The Corporation has determined that Doug Benville, an officer and director of the Corporation, is a promoter of the Corporation.

19. LEGAL PROCEEDINGS

Legal Proceedings

To the knowledge of the management of the Corporation, there are no actual or contemplated material legal proceedings to which the Corporation is a party.

Regulatory Actions

The Corporation is not subject to any penalties or sanctions imposed by any court or regulatory authority relating to securities legislation or by a securities regulatory authority, nor has the Corporation entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that are necessary to provide full, true and plain disclosure of all material facts relating to the Corporation's securities or would be likely to be considered important to a reasonable investor making an investment decision.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as set out elsewhere in this Listing Statement, none of the directors or executive officers of the Corporation, any person who has direct or indirect beneficial ownership of, or who exercises control or direction over, more than 10% of the Common Shares, or any associate or affiliate of such persons, has any material interest, direct or indirect, in any transaction within the three years before the date of this Listing Statement, or in any proposed transaction, that has materially affected the Corporation or Amalco or any of their respective subsidiaries.

21. AUDITORS, TRANSFER AGENTS AND REGISTRARS

Auditors

The auditors of the Corporation and Amalco are Smythe LLP, Chartered Professional Accountants. Smythe LLP is independent of the Corporation and Amalco in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

Transfer Agent and Registrar

The transfer agent and registrar of the Corporation is AST Trust Company at its office located in Vancouver, British Columbia.

22. MATERIAL CONTRACTS

During the course of the two years prior to the date of the Listing Statement, the Corporation and Pure have entered into the following material contracts, other than contracts entered into in the ordinary course of business:

(1) the Amalgamation Agreement (see *Item 3 – General Development of the Business - The Amalgamation*); and

(2) the Escrow Agreement (see *Item 11 – Escrowed Securities*).

Special Agreements

This section is not applicable to the Corporation.

23. INTEREST OF EXPERTS

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this Listing Statement or as having prepared or certified a report or valuation described or included in this Listing Statement holds any beneficial interest, direct or indirect, in any securities or property of the Corporation or of an Associate or Affiliate of the Corporation and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the corporation or of an Associate or Affiliate of the Corporation and no such person is a promoter of the corporation or an Associate or Affiliate of the Corporation.

Smythe LLP, who audited the financial statements of the Corporation for each of the years ended December 31, 2019 and 2018, are independent of the Corporation in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

Smythe LLP, who audited the financial statements of Pure for the years ended June 30, 2020 and June 30, 2019, are independent of Pure and Amalco in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

24. OTHER MATERIAL FACTS

Other than as set out elsewhere in this Listing Statement, there are no other material facts about the Corporation, or their respective securities which are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Corporation and its respective securities.

25. FINANCIAL STATEMENTS

Schedule "A" contains a pro forma consolidated statement of financial position of the Corporation as at June 30, 2020 after giving effect to the Amalgamation as if it had been completed on that date.

Schedule "B" contains the audited financial statements of Big Sky for the years ended December 31, 2019 and 2018 and the unaudited interim financial statements of Big Sky for the six month period ended June 30, 2020.

Schedule "C" contains the consolidated audited financial statements of Pure for the years ended June 30, 2020 and June 30, 2019.

Schedule "D" contains the Management's Discussion and Analysis of Big Sky for the years ended December 31, 2019 and 2018 and for the six month period ended June 30, 2020.

Schedule "E" contains the Management's Discussion and Analysis of Pure for the years June 30, 2020 and June 30, 2019.

CERTIFICATE OF THE ISSUER

Pursuant to a resolution duly passed by its Board of Directors, Pure Extracts Technologies Corp., hereby applies for the listing of the above-mentioned securities on the Canadian Securities Exchange. The foregoing contains full, true and plain disclosure of all material information relating to Pure Extracts Technologies Corp. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, BC this 30th day of October, 2020.

"Ben Nikolaevsky" Ben Nikolaevsky Chief Executive Officer	*"Yana Popova"* Yana Popova Chief Financial Officer
"Sean Bromley" Sean Bromley Director	*"Doug Benville"* Doug Benville Director

SCHEDULE "A" -
PRO FORMA FINANCIAL STATEMENTS

The *Pro Forma* Financial Statements of the Resulting Issuer as at June 30, 2020

BIG SKY PETROLEUM CORPORATION
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2020
(EXPRESSED IN CANADIAN DOLLARS – UNAUDITED)

As at June 30, 2020	Big Sky Petroleum Corporation $	Pure Extract Technologies Inc. $	Notes	Pro-Forma Adjustments $	Pro-Forma Consolidated $
ASSETS					
Current assets					
Cash	16,783	134,395	6(b), 6(d)	3,398,405	3,549,583
Prepaid expenses and deposits	–	94,336		–	94,336
Accounts receivable	124	177,295		–	177,419
Inventories	–	7,817		–	7,817
Loans receivable	–	390,087		–	390,087
Total current assets	16,907	803,930		3,398,405	4,219,242
Long-term deposits	–	737,921		–	737,921
Property and equipment	–	2,365,843		–	2,365,843
Right-of-use asset	–	520,983		–	520,983
Total assets	16,907	4,428,677		3,398,405	7,843,989
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current liabilities					
Accounts payable and accrued liabilities	83,595	618,061		–	701,656
Due to related parties	158,945	18,361		–	177,306
Loans payable	–	1,711,016	6(c)	(1,711,016)	–
Promissory note	–	1,944,199	6(c), 6(d)	(1,944,199)	–
Lease liability – short term	–	102,601		–	102,601
Convertible debentures – short term	–	252,033	6(a),6(b)	(252,033)	–
Total current liabilities	242,540	4,646,271		(3,907,248)	981,563
Convertible debentures – long term	–	884,342	6(d)	(884,342)	–
Lease liability – long term	–	426,117		–	426,117
Total liabilities	242,540	5,956,730		(4,791,590)	1,407,680
Shareholders' (deficiency) equity					
Share capital	9,878,277	1,480,000	6(a)-6(h)	(847,997)	10,510,280
Equity reserves	1,672,445	99,560	6(e)	(1,540,124)	231,881
Deficit	(11,776,355)	(3,107,613)	6(a), 6(c),6(d)	10,578,116	(4,305,852)
Total shareholders' (deficiency) equity	(225,633)	(1,528,053)		8,189,995	6,436,309
Total liabilities and shareholders' (deficiency) equity	16,907	4,428,677		3,398,405	7,843,989

The accompanying notes are an integral part of the pro forma consolidated statement of financial position.

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated statement of financial position of Big Sky Petroleum Corporation ("Big Sky" or the "Company") has been prepared by the management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") from information derived from the financial information of Big Sky and Pure Extract Technologies Inc. ("Pure") to show the effect of the proposed transactions ("Transactions") as per Note 4 . The unaudited pro forma consolidated statement of financial position have been prepared for inclusion in the Form 2A – Listing Statement of the Company prepared in connection with the Company's application for listing on the Canadian Securities Exchange.

The unaudited pro forma consolidated statement of financial position as at June 30, 2020 have been prepared by management using the information derived as described below:

- The audited financial statements of Pure as at and for the year ended June 30, 2020;
- The unaudited condensed interim financial statements of Big Sky as at and for the six-months ended June 30, 2020; and
- Additional information set out in Note 4

The pro forma consolidated statement of financial position is not necessarily indicative of the financial position that would have been achieved if the proposed Transactions had been completed on the dates indicated, and does not purport to project the financial position of the consolidated entities for any future period. In the opinion of the management of the Company, the unaudited pro forma consolidated statement of financial position included all adjustments necessary for a fair presentation of the proposed Transactions described in note 4. Unless otherwise noted, the unaudited pro forma consolidated statement of financial position and accompanying notes are presented in Canadian dollars. The unaudited pro forma consolidated statement of financial position as at June 30, 2020 combines the historical unaudited statement financial position of Big Sky and the historical audited statement of financial position of Pure, as at that date, to give the effect of the Transactions as if it had occurred on June 30, 2020.

2. FUNCTIONAL AND PRESENTATION CURRENCY

All financial information has been presented in Canadian ("CAD") dollars, which is also the functional currency of the Company and Pure.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation for the unaudited pro forma consolidated statement of financial position are those set out in Big Sky's audited financial statements for the year ended December 31, 2019. In preparing the unaudited pro forma consolidated statements of financial position, a review was undertaken to identify accounting policy differences between Pure and Big Sky where the impact was potentially material. The significant accounting policies of Pure conform in all material respects to those of Big Sky.

4. TRANSACTIONS

Prior to the effective date of the Amalgamation (as defined below), Big Sky was a junior oil and gas issuer that had been inactive for the past several years. On August 31, 2017, Big Sky sold all its former wholly-owned subsidiaries, along with the related assets and liabilities, to an arm's length private company for approximately $14,000.

Big Sky's common shares (the "Common Shares") were previously listed on the NEX Board of the TSX-Venture Exchange ("TSXV") under the trading symbol "BSP.H". Trading was halted on February

19, 2020 pending announcement of the Amalgamation and the Common Shares were voluntarily delisted from the NEX Board of the TSXV on October 27, 2020.

On October 20, 2020, Big Sky, 1270233 B.C. Ltd., newly incorporated wholly-owned subsidiary of Big Sky (“Acquireco”), and Pure entered into an amalgamation agreement in respect of the Amalgamation (the “Amalgamation Agreement”). The Amalgamation was completed on October 28, 2020, pursuant to which Big Sky assumed the net assets of Pure.

On October 28, 2020, immediately prior to the completion of the Amalgamation, Big Sky completed a consolidation of the Common Shares on the basis of one new Common Share for each six old Common Shares.

On October 16, 2020, Pure completed a rights offering pursuant to which Pure issued 4,500,000 Pure warrants (“Pure Performance Securities”). Each of the Pure Performance Securities was exercisable by the holder to purchase one Pure Share (as defined below) at a price of $0.0533333 per share for a period of five years from the date of issue following the completion of the listing of the Pure Shares on a recognized stock exchange, or exchange of the Pure common shares for securities listed on a recognized stock exchange. The Pure Performance Securities were exchanged for an aggregate 12,000,000 rights of Big Sky pursuant to the Amalgamation with an adjusted exercise price of $0.02.

The Amalgamation

On October 20, 2020, Big Sky entered into the Amalgamation Agreement with Acquireco and Pure, pursuant to which Big Sky acquired all of the issued and outstanding Pure Shares (as defined below) by way of a “three-cornered” amalgamation (the “Amalgamation”) whereby:

(1) Acquireco and Pure amalgamated, thereby forming a new amalgamated company named “Pure Extracts Manufacturing Corp.” (“Amalco”);

(2) each shareholder of Pure transferred their common shares of Pure (“Pure Shares”) to the Company in exchange for Common Shares on the basis of 2.6666666 Common Shares for each Pure Share, resulting in an aggregate of 63,621,026 Common Shares being issued to the former shareholders of Pure;

(3) the Company received one fully paid and non-assessable common share of Amalco for each common share of Acquireco held by the Company, following which all such common shares of Acquireco were cancelled; and

(4) options, warrants and performance securities of the Company were issued to the holders of options, warrants and performance securities of Pure, respectively, in exchange and replacement for, on an equivalent basis, such securities of Pure, which were then cancelled.

The Amalgamation resulted in Amalco becoming a wholly-owned subsidiary of the Company. On October 28, 2020, concurrently with the completion of the Amalgamation, the Company changed its name to “Pure Extracts Technologies Corp.” and Amalco continued under the name “Pure Extracts Manufacturing Corp.”

The valuation ascribed to Pure in the Amalgamation was determined by arm’s length negotiation between the Company and Pure and based in part upon Pure's pre-Amalgamation financings.

The Amalgamation was approved by the written consent of all of the shareholders of Pure and by the Company, in its capacity as sole shareholder of Acquireco. The Amalgamation was approved, pursuant to CSE Policies, by the written consent of greater than 50% of the Company’s pre-Amalgamation shareholders.

5. REVERSE TAKEOVER

The Amalgamation has been accounted for in accordance with IFRS 2, *Share-based payments* ("IFRS 2") and IFRS 3, *Business combinations* ("IFRS 3"). As Big Sky did not qualify as a business according to the definition of IFRS 3, this Amalgamation does not constitute a business combination. The Amalgamation is considered to be a reverse takeover of the Company by Pure.

A reverse takeover transaction involving a non-public operating entity and a non-operating public company is in substance a shared based transaction rather than a business combination. The Amalgamation is equivalent to the issuance of common shares by the non-public operating entity, Pure Extract Technologies Inc., for the net assets and the listing status of the non-operating public company, Big Sky Petroleum Corporation.

The fair value of the common shares issued was determined based on the fair value of the common shares issued by the Company. For financial reporting purposes, the Company is considered a continuation of the acquiree, the legal subsidiary, except with regard to authorized and issued share capital, which is that of the Company, the legal parent.

The fair value of the net assets of the Company deemed to be acquired will ultimately be determined at the date of closing of the Amalgamation and the actual costs of acquisition may vary from those estimates. Therefore, the allocation of the consideration among the assets and liabilities of the Company may vary from those shown above and such differences may be material.

6. PRO FORMA ASSUMPTIONS AND ADJUSTMENTS

The unaudited pro forma consolidated statement of financial position includes the following pro forma assumptions and adjustments as if they had occurred at June 30, 2020:

a) Pure received loans in the aggregate principal amount of $240,000 from 1205457 B.C. Ltd. (the "Lender") pursuant to the terms of a convertible note dated May 7, 2019 (the "May 2019 Note"). In accordance with its terms, prior to the completion of the Amalgamation, the May 2019 Note automatically converted into 4,500,000 Pure Shares and 4,500,000 Pure Warrants based on a conversion price of $0.05333, which Pure Shares and warrants of Pure ("Pure Warrants") were then exchanged for 12,000,000 Common Shares and 12,000,000 Warrants of the Company pursuant to the Amalgamation on the basis of the exchange ratio of 2.6666666 Common Shares for each Pure Share. Each Warrant is exercisable at $0.05 per Common Share for a period of two years from the date of issue. Accrued interest of $12,033 was forgiven upon conversion into equity.

b) Pure received loans in the aggregate principal amount of $1,309,054 from the Lender pursuant to the terms of a convertible note dated June 7, 2019 (the "June 2019 Note"). In accordance with its terms, prior to the completion of the Amalgamation the June 2019 Note automatically converted into 6,545,270 Pure Shares based on a deemed conversion price of at $0.20, which Pure Shares were then exchanged for 17,454,053 Common Shares of the Company pursuant to the Amalgamation on the basis of the exchange ratio of 2.6666666 Common Shares for each Pure Share. $1,000,000 of the principal amount of the June 2019 Note was previously converted during the year ended June 30, 2020 but subsequently, the Company repurchased the common shares issued for a $1,000,000 convertible note. The pro forma consolidated statement of financial position includes an adjustment to reflect the conversion of the $1,309,054 principal amount of the June 2019 Note.

c) Pure received loans in the principal amount of $2,429,791 from the Lender pursuant to the terms of a convertible note dated December 13, 2019 (the "December 2019 Note"). In accordance with its terms, prior to the completion of the Amalgamation the December 2019 Note automatically converted into 3,037,238 Pure Shares based on a conversion price of $0.80, which Pure Shares were then exchanged for 8,099,303 Common Shares pursuant to the Amalgamation on the basis of the exchange ratio of 2.6666666 Common Shares for each Pure Share. Accrued interest of $24,949 was forgiven upon conversion into equity.

(Expressed in Canadian Dollars - Unaudited)

d) Pure received loans in the principal amount of $5,420,301 from the Lender pursuant to the terms of a convertible note dated January 22, 2020, as amended (the "January 2020 Note"). In accordance with its terms, prior to the completion of the Amalgamation the January 2020 Note automatically converted into 6,775,376 Pure Shares based on a conversion price of $0.80, which Pure Shares were then exchanged for 18,067,670 Common Shares pursuant to the Amalgamation on the basis of the exchange ratio of 2.6666666 Common Shares for each Pure Share. Accrued interest of $24,242 was forgiven upon conversion into equity.

e) In connection with the convertible notes in notes 6(a) to 6(d), finders' fees in the aggregate amount of $270,477 was paid and an aggregate of 464,992 Amalco's warrants were issued. Each warrant is exercisable for twenty four months from the issue date at an exercise price of $0.50 per common share of Amalco. The fair value of the warrants is $19,212.

f) 5,000,000 common shares, were issued on October 28, 2020, represents a finder's fee payable to arm's length finders in connection with the Amalgamation. The fair value of the finders' fees is $800,000.

g) On October 28, 2020, immediately prior to the completion of the Amalgamation, Big Sky completed a consolidation of the Common Shares on the basis of one new Common Share for each six old Common Shares.

h) All outstanding Pure Shares automatically exchanged into 63,621,026 Common Shares pursuant to the Amalgamation on the basis of the exchange ratio of 2.6666666 Common Shares for each Pure Share.

i) The May 2019, June 2019, December 2019 Note and January 2020 Note include liabilities converted to equity that were previous liabilities in Pure's June 30, 2020 financial statements and additional liabilities incurred by Pure after June 30, 2020, as set out in the table below.

Prior Pure Liabilities	Equity Conversion ($)			
	May 2019 Note ($)	June 2019 Note ($)	December 2019 Note ($)	January 2020 Note ($)
$240,000 convertible debenture (Note 8 of Pure June 30, 2020 Financial Statements)	240,000	-	-	-
$1,703,265 loan payable (Note 6 of Pure June 30, 2020 Financial Statements)	-	-	1,510,541	192,724
$919,250 promissory note (Note 7 of Pure June 30, 2020 Financial Statements)	-	-	919,250	-
$860,000 convertible debenture (Note 8 of Pure June 30, 2020 Financial Statements)	-	-	-	860,000

(Expressed in Canadian Dollars - Unaudited)

$4,367,577 promissory note (incurred by Pure since June 30, 2020)	-	-	-	4,367,577
$1,309,054 convertible debenture (incurred by Pure since June 30, 2020)	-	1,309,054	-	-
Total	**240,000**	**1,309,054**	**2,429,791**	**5,420,301**

j) The consideration effectively transferred for the acquisition of Big Sky is as follows:

	$
Fair value of equity instruments issued	120,821
Finders' fees	800,000
Fair value of replacement warrants	113,109
Total consideration	1,033,930
Fair value of net assets of Big Sky acquired	
Cash	16,783
Accounts receivables	124
Accounts payable and accrued liabilities	(83,595)
Due to related parties	(158,945)
	(225,633)
Listing expense	1,259,563

The fair value of the replacement warrants is estimated at the date of the Amalgamation using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The incremental increase of the fair value of the warrants is included in the consideration. The Company used the following weighted average assumptions: average volatility of 100%, risk-free interest rate of 0.32%, an average expected life of 5 years and a dividend yield of 0%.

(Expressed in Canadian Dollars - Unaudited)

7. PRO-FORMA EQUITY

		Share Capital				
		Number of Common Shares	Common Stock	Equity Reserve	Deficit	Total
	Notes		$	$	$	$
Big Sky (post 6:1 consolidation)	6(g)	2,079,511	9,878,277	1,672,445	(11,776,355)	(225,633)
Pure (post 1:2.666 exchange)	6(h)	8,000,000	480,000	99,560	(3,107,613)	(2,528,053)
Conversion of May 2019 Note (post 1:2.666 exchange)	6(a),6(i)	12,000,000	240,000	–	12,033	252,033
Conversion of June 2019 Note (post 1:2.666 exchange)	6(b)	17,454,053	1,309,054	–	–	1,309,054
Conversion of December 2019 Note (post 1:2.666 exchange)	6(c),6(i)	8,099,303	2,429,791	–	24,949	2,454,740
Conversion of January 2020 Note (post 1:2.666 exchange)	6(d),6(i)	18,067,670	5,420,301	–	24,242	5,444,543
Finder's fee	6(f)	5,000,000	800,000	–	–	800,000
Finders' Warrants issued	6(e)	–	–	19,212	–	19,212
Issuance of Almaco's warrants in exchange for Pure Performance Securities	6(i)	–	–	113,109	–	113,109
Listing Expense		–	(10,047,143)	(1,672,445)	10,516,892	(1,202,696)
Total		70,700,537	10,510,280	231,881	(4,305,852)	6,436,309

8. PRO FORMA STATUTORY INCOME TAX RATE

The pro forma effective statutory income tax rate of the combined companies will be 27% but due to the lack of recoverability of the companies' losses carried forward no tax consequences were reflected in the pro forma.

SCHEDULE "B" -
FINANCIAL STATEMENTS OF BIG SKY

The Audited Financial Statements of Big Sky as of and for the years ended December 31, 2019 and December 31, 2018, and the Interim Financial Statements of Big Sky as of and for the six-month period ended June 30, 2020

BIG SKY PETROLEUM CORPORATION

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

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.

BIG SKY PETROLEUM CORPORATION

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2020 AND 2019

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

Contents

BIG SKY PETROLEUM CORPORATION

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)

As at	June 30, 2020 $	December 31, 2019 $ (Restated) (Note 3)	January 1, 2019 $ (Restated) (Note 3)
ASSETS			
Current assets			
Cash	16,783	29,616	54,286
Accounts receivable	124	2,754	2,541
Total assets	16,907	32,370	56,827
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	83,595	78,061	76,628
Due to related parties (Note 6)	158,945	155,474	105,253
Total liabilities	242,540	233,535	181,881
Shareholders' deficiency			
Share capital (Note 5)	9,878,277	9,878,277	9,874,589
Reserves (Note 5)	1,672,445	1,672,445	1,673,633
Deficit	(11,776,355)	(11,751,887)	(11,673,276)
Total shareholders' deficiency	(225,633)	(201,165)	(125,054)
Total liabilities and shareholders' deficiency	16,907	32,370	56,827

These condensed interim financial statements are authorized for issue by the Board of Directors on August 28, 2020.

They are signed on behalf of the Company's Board of Directors:

/s/Desmond M. Balakrishnan
Director

/s/Sean Bromley
Director

See notes to condensed interim financial statements

BIG SKY PETROLEUM CORPORATION

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited - Expressed in Canadian dollars)

	Three-month period ended June 30, 2020 $	Three-month period ended June 30, 2019 $ (Restated) (Note 3)	Six-month period ended June 30, 2020 $	Six-month period ended June 30, 2019 $ (Restated) (Note 3)
General and administrative expenses				
Consulting fees (Note 6)	-	18,000	-	36,000
Office and administrative	473	14	871	59
Professional fees	12,810	-	28,117	3,000
Transfer agent and regulatory fees	4,705	5,658	8,471	7,932
Total operating expenses	(17,988)	(23,672)	(37,459)	(46,991)
Other items				
Write-off of accounts payable	12,879	-	12,879	-
Interest income	26	189	112	448
Net loss and comprehensive loss for the period	(5,083)	(23,483)	(24,468)	(46,543)
Basic and diluted loss per share	$0.00	$0.00	$0.00	$0.00
Weighted average number of shares outstanding	12,477,064	12,427,064	12,477,064	12,427,064

See notes to condensed interim financial statements

BIG SKY PETROLEUM CORPORATION

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Unaudited - Expressed in Canadian dollars)

	Share capital				
	Number of shares	Amount $	Reserves $	Deficit $	Total $
Balance, December 31, 2018 (Note 3) (Restated)	12,427,064	9,874,589	1,673,633	(11,673,276)	(125,054)
Net loss for the period	–	–	–	(46,543)	(46,543)
Balance, June 30, 2019	12,427,064	9,874,589	1,673,633	(11,719,819)	(171,597)
Balance, December 31, 2019 (Note 3) (Restated)	12,477,064	9,878,277	1,672,445	(11,751,887)	(201,165)
Net loss for the period	–	–	–	(24,468)	(24,468)
Balance, June 30, 2020	12,477,064	9,878,277	1,672,445	(11,776,355)	(225,633)

See notes to condensed interim financial statements

BIG SKY PETROLEUM CORPORATION

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian dollars)

	Six-month period ended June 30, 2020 $	Six-month period ended June 30, 2019 $ (Restated) (Note 3)
OPERATING ACTIVITIES		
Net loss for the period	(24,468)	(46,543)
Item not affecting cash		
Write-off of accounts payable	(12,879)	-
	(37,347)	(46,543)
Changes in non-cash working capital:		
Accounts receivable	2,630	1,490
Accounts payable and accrued liabilities	18,413	4,799
Due to related parties	3,471	37,800
Net cash used in operating activities	(12,833)	(2,454)
Change in cash	(12,833)	(2,454)
Cash, beginning of period	29,616	54,286
Cash, end of period	16,783	51,832

There were no investing and financing activities during the six-month periods ended June 30, 2020 and 2019.

See notes to condensed interim 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 condensed interim 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 $24,468 for the six months ended June 30, 2020 (2019 - $46,543) and had an accumulated deficit of $11,776,355 (December 31, 2019 - $11,751,887; January 1, 2019 - $11,673,276) and working capital deficiency of $225,633 as at June 30, 2020 (December 31, 2019 - $201,165; January 1, 2019 - $125,054). The Company has no source of operating revenues and its capacity to operate as a going concern in the near-term will depend on its ability to continue raising equity or other sources of 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.

At the time these condensed interim financial statements were prepared, the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company's business and financing opportunities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, and other countries to contain and treat the disease. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these condensed interim financial statements, there may be further significantly adverse impact on the Company's financial position and results of operations for future periods if the pandemic is not successfully contained or the effects of which are not mitigated.

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. During the six months ended June 30, 2020, 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 7).

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC") and with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34").

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

(b) Basis of preparation

These condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2019 annual financial statements except as disclosed in Note 3 below.

The preparation of interim financial statements in conformity with IAS 34 do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2019.

These condensed interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

These condensed interim financial statements were authorized for issue by the Board of Directors on August 28, 2020.

(c) Significant accounting judgments and estimates

The preparation of these condensed interim 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:

2 BASIS OF PREPARATION (Continued)

(c) Significant accounting judgments and estimates (Continued)

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. Effective January 1, 2020, the Company changed its presentation currency from U.S. dollars to Canadian dollars (Note 3).

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.

3. CHANGE IN PRESENTATION CURRENCY

On January 1, 2020, the Company changed its presentation currency from the U.S. dollar to the Canadian dollar. This change in presentation currency is to better reflect the Company’s business activities, comprised primarily of Canadian dollar transactions as it provides more relevant presentation of the Company’s financial position, financial performance and its cash flows. The Company’s functional currency remains a Canadian dollar. The condensed interim financial statements for all periods presented have been translated into the new presentation currency in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates.* As the change in presentation currency represents a change in accounting policy, the Company applies the change retrospectively and makes a retrospective restatement of items in its condensed interim financial statements and presents a third statement of financial position as at the beginning of the preceding period to comply with the provisions of IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

3. CHANGE IN PRESENTATION CURRENCY (Continued)

The condensed interim financial statements have been restated to reflect the Company's results as if they had been historically presented in CAD. The currency translation reserve was reset to $Nil as at January 1, 2020 and share capital and other reserves were translated at the historic rates prevailing at the dates of underlying transactions. As a practical measure, the comparative shareholders' deficit balances were translated at the January 1, 2019 exchange rate.

The change in presentation currency resulted in the following impact on the January 1, 2019 opening condensed interim statement of financial position:

	Reported at January 1, 2019 in USD ($)	Presentation currency change ($)	January 1, 2019 in CAD ($) (Restated)
Total assets	41,654	15,173	56,827
Total liabilities	133,314	48,567	181,881
Total shareholders' deficiency	(91,660)	(33,394)	(125,054)

The change in presentation currency resulted in the following impact on the December 31, 2019 condensed interim statement of financial position:

	Reported at December 31, 2019 in USD ($)	Presentation currency change ($)	December 31, 2019 in CAD ($) (Restated)
Total assets	24,921	7,449	32,370
Total liabilities	179,794	53,741	233,535
Total shareholders' deficiency	(154,873)	(46,292)	(201,165)

4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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 is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt and equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. There is no assurance that financing will be available or, if available, that such financing will be on terms acceptable to the Company.

4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (Continued)

(a) Liquidity risk (continued)

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

(b) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The Company's cash is held with a major Canadian-based financial institution. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign exchange rate

The Company is not exposed to significant foreign currency risk.

(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.

(e) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of cash, and equity comprised of issued share capital and reserves. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements, and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2019.

5. SHARE CAPITAL AND RESERVES

(a) Authorized

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

(Unaudited - Expressed in Canadian dollars unless otherwise indicated)

5. SHARE CAPITAL AND RESERVES (Continued)

(b) Issued and outstanding

The Company did not issue any common shares during the six-months ended June 30, 2020 and 2019.

(c) Warrants and special warrants

The Company may issue share purchase warrants to acquire its common shares either in combination with share offerings, or on a stand-alone basis to its consultants and advisors. The terms of warrants issued are determined by the Company's Board of Directors.

The continuity of warrants for the six-month period ended June 30, 2020 and year ended December 31, 2019 is summarized below:

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, December 31, 2018	9,999,997	0.05
Exercised	(50,000)	0.05
Expired	(9,949,997)	0.05
Balance, December 31, 2019 and June 30, 2020	–	–

(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.

The continuity of stock options for the six-month period ended June 30, 2020 and year ended December 31, 2019 is summarized below:

	Number of Options	Weighted Average Exercise Price ($)
Balance, December 31, 2018	–	–
Granted	240,000	0.0875
Balance, December 31, 2019 and June 30, 2020	240,000	0.0875

(Unaudited - Expressed in Canadian dollars unless otherwise indicated)

5. SHARE CAPITAL AND RESERVES (Continued)

(d) Stock options (continued)

The following table summarizes the stock options outstanding and exercisable at June 30, 2020:

Number of options outstanding	Exercisable	Exercise price	Expiry date
240,000	240,000	$0.0875	June 22, 2023

As at June 30, 2020, the weighted average remaining contractual life of all options outstanding was 2.98 years (December 31, 2019 – 3.48 years).

6. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments.

a) As of June 30, 2020, the Company has payables to companies with common director amounting to $84,000 (December 31, 2019 - $84,000 and January 1, 2019 - $43,050), a company influenced by a director was owed $74,124 (December 31, 2019 – $71,474 and January 1, 2019 – $62,203) and $821 (December 31, 2019 – $Nil and January 1, 2019 – $Nil) owed to a personnel in key management. Amounts due to related parties have no specific terms of repayment and are non-interest-bearing.

b) For the six-month period ended June 30, 2020, a company controlled by the CFO incurred $Nil (2019 - $18,000) for consulting fees. For the six-month period ended June 30, 2020, a company controlled by the CEO incurred $Nil (2019 - $18,000) for consulting fees.

7. PROPOSED TRANSACTION

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.

7. PROPOSED TRANSACTION (Continued)

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 its issued common shares on the basis of 1 new common share for each 10 old common shares. The proposed transaction is subject to the conditions relating to shareholder and regulatory approvals as set out in the definitive agreement.

SCHEDULE "C" -
FINANCIAL STATEMENTS OF PURE EXTRACT TECHNOLOGIES INC.

The Audited Financial Statements of Pure for the years ended June 30, 2020 and June 30, 2019

PURE EXTRACT TECHNOLOGIES INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

(EXPRESSED IN CANADIAN DOLLARS)

Contents

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF PURE EXTRACT TECHNOLOGIES INC.

Opinion

We have audited the financial statements Pure Extract Technologies Inc. (the "Company"), which comprise:

- the statements of financial position as at June 30, 2020 and 2019;
- the statements of operations and comprehensive loss for the years then ended;
- the statements of changes in shareholders' equity (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 June 30, 2020 and 2019, 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 $2,938,399 during the year ended June 30, 2020 and, as of that date, the Company has a deficit of $3,107,613. 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.

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.

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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.

- 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.

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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
October 21, 2020

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PURE EXTRACT TECHNOLOGIES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at June 30	2020 $	2019 $
ASSETS (Notes 7 and 8)		
Current assets		
Cash	134,395	73,564
Prepaid expenses	94,336	4,985
GST receivable	177,295	16,503
Inventories	7,817	–
Short-term loan receivable (Note 6)	390,087	–
Total current assets	803,930	95,052
Long-term deposits (Note 4)	737,921	5,856
Property and equipment (Note 4)	2,365,843	801,311
Right-of-use asset (Note 12)	520,983	-
Total assets	4,428,677	902,219
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	618,061	189,323
Due to related parties (Note 11)	18,361	–
Loan payable (Note 6)	1,711,016	–
Promissory note (Note 7)	1,944,199	–
Convertible debentures – short term (Note 8)	252,033	
Lease liability – short term (Note 12)	102,601	–
Total current liabilities	4,646,271	189,323
Convertible debentures – long term (Note 8)	884,342	402,110
Lease liability – long term (Note 12)	426,117	–
Total liabilities	5,956,730	591,433
Shareholders' equity (deficiency)		
Share capital (Note 9)	1,480,000	480,000
Share-based compensation reserve (Note 9)	99,560	–
Deficit	(3,107,613)	(169,214)
Total shareholders' equity (deficiency)	(1,528,053)	310,786
Total liabilities and shareholders' equity (deficiency)	4,428,677	902,219

Subsequent events (Note 14)

Approved and authorized for issuance by the Board of Directors on October 21, 2020:

/s/ Doug Benville
Name, Director

(The accompanying notes are an integral part of these financial statements)

PURE EXTRACT TECHNOLOGIES INC.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Years ended June 30,	
	2020	2019
	$	$
Operating expenses		
Amortization (Note 12)	**17,965**	–
Advertising and promotion	**46,576**	–
Transaction costs (Note 6)	**1,000,000**	–
Accounting and legal (Note 6)	**412,266**	53,355
Consulting (Notes 6 and 11)	**378,154**	50,000
Insurance	**26,816**	–
Interest and bank charges (Notes 7 and 8)	**83,554**	2,659
Licenses	**–**	9,893
Office expense	**76,863**	161
Office and equipment rental (Note 12)	**146,502**	9,000
Repairs and custom work	**20,659**	–
Salaries and benefits (Note 11)	**511,356**	22,742
Share-based compensation (Note 9)	**99,560**	–
Supplies	**31,122**	–
Utilities	**19,417**	–
Travel and entertainment	**113,342**	–
Total operating expenses	**(2,984,152)**	(147,810)
Other income		
Gain on forfeiture of interest (Note 8)	**22,940**	–
Interest income (Note 6)	**22,813**	–
Net loss and comprehensive loss for the year	**(2,938,399)**	(147,810)
Basic and diluted loss per share	**(0.52)**	(0.05)
Weighted average number of shares outstanding	**5,650,273**	3,000,000

(The accompanying notes are an integral part of these financial statements)

PURE EXTRACT TECHNOLOGIES INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian dollars)

	Share capital		Share-based Compensation Reserve		
	Number of shares	Amount $	$	Deficit $	Total $
Balance, June 30, 2018	3,000,000	480,000	–	(21,404)	458,596
Net loss and comprehensive loss for the year	–	–	–	(147,810)	(147,810)
Balance, June 30, 2019	3,000,000	480,000	–	(169,214)	310,786
Shares issued on conversion of debenture (Note 9)	5,000,000	1,000,000	–	–	1,000,000
Share-based compensation	–	–	99,560	–	99,560
Net loss and comprehensive loss for the year	–	–	–	(2,938,399)	(2,938,399)
Balance, June 30, 2020	**8,000,000**	**1,480,000**	**99,560**	**(3,107,613)**	**(1,528,053)**

(The accompanying notes are an integral part of these financial statements)

PURE EXTRACT TECHNOLOGIES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Years ended June 30, 2020 $	Years ended June 30, 2019 $
OPERATING ACTIVITIES		
Net loss for the year	**(2,938,399)**	(147,810)
Non-cash items		
Amortization	**17,965**	–
Accrued interest	**84,357**	2,110
Share-based compensation	**99,560**	–
Gain on forfeiture of interest	**(22,940)**	–
Changes in non-cash operating working capital:		
Prepaid expenses	**(89,351)**	(10,841)
GST receivable	**(160,792)**	(16,503)
Inventories	**(7,817)**	–
Deposits	**(47,000)**	–
Accounts payable and accrued liabilities	**364,186**	61,205
Due to related parties	**18,361**	–
Net cash used in operating activities	**(2,681,870)**	(111,839)
INVESTING ACTIVITY		
Purchase of property and equipment	**(1,499,980)**	(214,597)
Advances for property and equipment	**(685,065)**	**–**
Net cash used by investing activity	**(2,185,045)**	(214,597)
FINANCING ACTIVITIES		
Proceeds from loan payable	**1,320,929**	–
Proceeds from promissory note	**1,919,250**	–
Proceeds from convertible debentures	**1,700,000**	400,000
Lease liability payments	**(12,433)**	–
Net cash provided by financing activities	**4,927,746**	400,000
Change in cash	**60,831**	73,564
Cash, beginning of year	**73,564**	–
Cash, end of year	**134,395**	73,564

Supplemental cashflow information

	$	$
Shares issued on conversion of debenture	**1,000,000**	–
Property and equipment additions in accounts payable and accrued liabilities	**171,266**	106,714
Assigned loan receivable in loan payable	**390,087**	–
Interest paid	–	–

(The accompanying notes are an integral part of these financial statements)

1. NATURE AND GOING CONCERN

Pure Extract Technologies Inc. (the “Company” or “Pure”) was incorporated on May 2, 2018 under the laws of the province of British Columbia as PurePulls Technology Corp. and subsequently changed its name to Pure Extract Technologies Inc. on November 28, 2018. The Company’s principal address is located at 7341 Industrial Way, Pemberton, British Columbia, V0N 2K0.

Pure intends to undertake the business of the extraction and processing of cannabis and hemp as a third-party service to licensed producer for toll processing or white-label processing and for its own private label of products incorporating its full spectrum THC- and CBD-based extracted oils. Pure has a fully built carbon dioxide extraction facility in Pemberton, British Columbia. The Company has received the standard processing license from Health Canada, subsequent to the year ended June 30, 2020.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the year ended June 30, 2020, the Company earned no revenues and incurred a net loss of $2,938,399 (2019 - $147,810). As at June 30, 2020, the Company has working capital deficit of $3,842,341 (2019 - $94,271) and an accumulated deficit of $3,107,613 (2019 - $169,214). Management is actively pursuing sources of equity and debt financing to meet the Company’s liabilities and commitments as they come due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material.

At the time these financial statements were prepared, the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company’s business and financing opportunities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, and other countries to contain and treat the disease. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these financial statements, there may be further significantly adverse impact on the Company's financial position and results of operations for future periods or the pending transaction with Big Sky Petroleum Corporation (“Big Sky” or “Pubco”) if the pandemic is not successfully contained or the effects of which are not mitigated. On February 18, 2020, the Company signed a letter of intent with Big Sky pursuant to which Big Sky will acquire all of the outstanding shares of the Company (Note 13).

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared on a historical cost basis except for certain financial instruments and using the accrual basis of accounting, except for cash flow information. These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). Except as described in Note 2, significant accounting policies have been consistently applied in the presentation of these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effective July 1, 2019, the Company adopted IFRS 16 *Leases* ("IFRS 16"). IFRS 16 was adopted retrospectively with no restatement of comparative periods, as permitted by the transition provisions of the standard.

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

The financial statements of the Company for the year ended June 30, 2020 were approved and authorized for issue by the Board of Directors on October 21, 2020.

Significant accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are 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 the 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:

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).

Property and equipment – useful lives

The Company estimates the useful lives and selects methods used to allocate amortization amounts of property and equipment on a systematic basis. Technical obsolescence of the tangible assets could significantly impact estimated residual useful lives and in turn, carrying values being over or understated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgments and estimates (CONTINUED)

Research and development expenditures

Costs to develop products that will be sold are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically, and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any product development costs as at June 30, 2020 and 2019.

Impairment of receivables

The Company provides for doubtful debts by analyzing the historical default experience and current information available about a borrower's credit worthiness on an account by account basis. Uncertainty relates to the actual collectability of borrower balances that can vary from the Company's estimation. No loss allowance has been provided by the Company as at June 30, 2020 (2019 - $Nil).

Convertible debentures

The convertible debentures were assessed as being a financial liability with an embedded derivative liability. The Company analyzed the conversion feature of the agreements for derivative accounting consideration under IFRS 9 *Financial Instruments* and determined that the embedded conversion features should be classified as a derivative because the exercise price of these convertible debts are subject to a variable conversion rate. The Company has determined that the value of conversion feature changes in response to the share price of the Company and is therefore not afforded as equity classification.

Conversion features that fail equity classification and are accounted for as derivative liabilities are accounted for separately from the host instruments. However, the Company is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, therefore it designates the entire hybrid contract as at fair value through profit or loss.

Share-based compensation

The fair value of stock options granted, and compensatory warrants are measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the option, expected volatility, expected life of the options, expected dividends and the risk-free rate. The Company estimates volatility based on historical share price of comparable companies, excluding specific time frames in which volatility was affected by specific transactions that are not considered to be indicative of the entities' expected share price volatility. The expected life of the options is based on historical experience and general option holder behaviour. Dividends were not taken into consideration as the Company does not expect to pay dividends. Management also makes an estimate of the number of options that will forfeit, and the rate is adjusted to reflect the actual number of options that vest.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgments and estimates (CONTINUED)

Right-of-use asset and lease liability

The right of use asset and lease liability is measured by discounting the future lease payments at the incremental borrowing rate. The incremental borrowing rate is an estimated rate the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

For right of use assets and lease liability, the Company applies judgment in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

Impairment of Long-Lived Assets

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is any indication that the carrying amount is not recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When an individual asset does not generate independent cash flows, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Many factors are used in assessing recoverable amounts and are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Financial assets are initially recognized at fair value plus transaction costs directly attributable to the asset, except for transaction costs for financial assets measured at fair value through profit or loss which are expensed as incurred.

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 judgment.

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")

Financial assets measured at fair value through other comprehensive income are measured at fair value with changes in fair value included in other comprehensive income.

Financial assets measured at amortized cost

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

Impairment

In relation to the impairment of financial assets, IFRS requires an expected credit loss model. The expected credit loss model requires the Company to account for expected credit losses ("ECL") and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (CONTINUED)

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. comprehensive income or loss.

The Company's financial instruments are accounted for as follows.

Financial Asset	
Cash	FVTPL
Loan receivable	Amortized cost
Financial Liability	
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Loans payable	Amortized cost
Promissory note	Amortized cost
Lease liability	Amortized cost
Convertible debentures	FVTPL

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment is recorded at historical cost less related accumulated amortization and impairment losses. Cost is determined as the expenditure directly attributable to the asset at acquisition, only when it is probable that future economic benefits will flow to the Company and the cost can be reliably measured. When an asset is disposed of, its carrying cost is derecognized. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

The Company provides for amortization of property and equipment on a straight-line basis unless otherwise noted using the following annual rates:

Leasehold improvements	Straight-line over lease term
Manufacturing equipment	Straight-line over useful life
Security equipment	Straight-line over useful life
Extraction equipment	Straight-line over useful life

Additions during the year are amortized on a pro-rated basis. No amortization is recorded until the assets are put into use.

Research and development

The Company incurs costs on activities that relate to research and development of new products. Research and development costs are expensed, except in cases where development costs meet certain identifiable criteria for deferral, including technical feasibility. Development costs are capitalized only if the expenditures can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Deferred development costs are amortized over the life of related commercial production, or in the case of serviceable property and equipment, are included in the appropriate property group and are depreciated over its estimated useful life. As at June 30, 2020, the Company has not capitalized any research and development costs.

Inventory

Inventory comprises of vapour cartridges and is measured at the lower of cost and net realizable value. Inventory is written down to net realizable value when the cost of inventory is estimated to be greater than the anticipated selling price less costs to sell.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of long-lived assets to determine whether there is an indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment charge (if any). The Company's long-lived assets consists of property and equipment and the right-of-use asset.

The recoverable amount used for this purpose is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (CONTINUED)

If the recoverable amount of an asset is estimated to be less than its recorded amount, the recorded amount of the asset is reduced to its recoverable amount. An impairment charge is recognized immediately in the statements of operations and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to a maximum amount equal to the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

Share capital

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are issued, and any excess is allocated to warrants.

Incremental costs directly attributed to the issuance of common shares are shown in equity as a reduction, net of tax, of the proceeds received on issue. Shares issued for non-monetary consideration are valued based on the fair value of the goods or services received unless the fair value of the shares are a more reliable measure.

Share-based Compensation

The Company has a stock option plan, described in Note 9 which grants stock options to the Company's directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of the options is measured using the Black-Scholes option pricing model and is recognized over the vesting period. For directors and employees, the fair value of the options is measured at the date of grant. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based compensation reserve. Consideration received on the exercise of stock options is recorded as share capital and the recorded amount to share-based compensation reserve is transferred to share capital. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is charged to profit or loss. For unexercised options that expire, the recorded value in share-based compensation reserve is transferred to deficit.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments.

Foreign exchange

Functional currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”), which has been determined to be the Canadian dollar.

Foreign currency transaction and balances

Transactions in currencies other than the entity’s functional currency are recorded at the average rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. The resulting foreign exchange gains or losses are recorded in profit or loss.

Income taxes

Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Standards

IFRS 16 Leases

The Company adopted IFRS 16 effective July 1, 2019 using the modified retrospective approach. The impact of the adoption is discussed on Note 12. The comparative figures for the 2019 reporting period have not been restated and are accounted for under IAS 17 *Leases* ("IAS 17"), and IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, as permitted under the specific transitional provisions in the standard. The following is the new accounting policy for leases under IFRS 16.

At inception, the Company assesses whether a contract contains an embedded lease. A contract contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company, as lessee, is required to recognize a right-of-use asset ("ROU asset"), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

The Company may elect to not apply IFRS 16 to leases with a term of less than 12 months or to low value assets, which is made on an asset by asset basis.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated depreciation, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is depreciated from the commencement date over the shorter of the lease term or the useful life of the underlying as set. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of Accounting Standards (CONTINUED)

IFRS 16 Leases (CONTINUED)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in the statements of operations and comprehensive loss in the period in which they are incurred.

The ROU assets are presented within “Right-of-use asset” and the lease liabilities are presented in “Lease liability” on the statements of financial position.

The Company has an office lease for its facilities in Pemberton, British Columbia that was classified as an operating lease under IAS 17. At transition to IFRS 16, this lease liability was measured at the present value of the lease payments and discounted using an incremental borrowing rate of 5% as of April 30, 2020, the date as to when the Company entered into the lease. As a result, the Company, as a lessee, has recognized $528,718 as a lease liability, representing its obligation to make lease payments. A ROU asset of the same amount was recognized, representing its right to use the underlying asset.

Future Accounting Standards

The Company will be required to adopt the following standard and amendments issued by the IASB as described below:

IFRS 17 Insurance Contracts

IFRS 17 is a new standard that requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4, Insurance Contracts, and related interpretations.

This standard will be effective for the Company’s annual period beginning July 1, 2021. The Company has assessed that the impact of IFRS 17 on its financial statements would not be significant.

3. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

Fair values

The Company’s financial instruments classified as level 1 in the fair value hierarchy are cash, loan receivable, accounts payable and accrued liabilities, due to related parties, loan payable and promissory note as their carrying values approximate the fair values due to the relatively short-term maturity of these instruments. The convertible debentures and lease liability are classified as level 3.

3. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

Fair values (continued)

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, price risk, currency risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt and equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company has cash at June 30, 2020 in the amount of $134,395 (2019 - $73,564), in order to meet short-term liabilities of $4,646,271 (2019 - $189,323). There is no assurance that financing will be available or, if available, that such financing will be on terms acceptable to the Company. The Company monitors its risk of shortage of funds by monitoring the maturity dates of its existing liabilities. The loan payable, promissory note and convertible debentures are due in the next 1 to 2 years.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets which primarily is cash and its loan receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The Company's cash is held with a major Canadian-based financial institution. The amount owed in loan receivable is from a third party which the Company believes is collectible and is secured against the third party's personal assets (Note 6). The carrying amount of financial assets represents the maximum credit exposure.

Foreign exchange rate risk

Currency risk is the risk of loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. The Company's has minimal transactions in foreign currencies and is not exposed to significant foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their cash in bank, promissory note and convertible debentures. The Company's loan receivable bears interest at 8% per annum (Note 6) and its promissory note (Note 7) and convertible debentures (Note 8) currently provides for interest at both 5% per annum. The Company's loan payable is non-interest bearing (Note 6).

The Company does not expect any significant effect on the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the of the financial year.

(Expressed in Canadian dollars)

3. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of cash, and equity comprised of issued share capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements, and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended June 30, 2019.

4. PROPERTY AND EQUPMENT

	Leasehold Improvements	Manufacturing Equipment	Security Equipment	Extraction Equipment	Total
Cost	$	$	$	$	$
As at June 30, 2018	–	480,000	–	–	480,000
Additions	285,525	–	35,786	–	321,311
As at June 30, 2019	285,525	480,000	35,786	–	801,311
Additions	1,302,865	137,774	118,893	5,000	1,564,532
As at June 30, 2020	**1,588,390**	**617,774**	**154,679**	**5,000**	**2,365,843**
Accumulated Amortization	$	$	$	$	$
As at June 30, 2018	–	–	–	–	–
Amortization	–	–	–	–	–
As at June 30, 2019	–	–	–	–	–
Amortization	–	–	–	–	–
As at June 30, 2020	–	–	–	–	–
Net Book Value	**$**	**$**	**$**	**$**	**$**
As at June 30, 2019	285,525	480,000	35,786	–	801,311
As at June 30, 2020	**1,588,390**	**617,774**	**154,679**	**5,000**	**2,365,843**

No amortization was recorded since the assets were not in use as of June 30, 2020.

During the year ended June 30, 2020, the Company has advanced $542,099 to Vitalis Extraction Technologies Inc. as a 50% deposit towards the purchase of extraction equipment which was recorded under long-term deposits account in the statement of financial position. The total purchase price is $1,084,199. Subsequent to the year ended June 30, 2020, the Company entered into a lease agreement with a third party to lease the remaining 50% of the equipment, whereby the Company will make monthly lease payments of $18,560 over a term of 3 years.

(Expressed in Canadian dollars)

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2020 $	June 30, 2019 $
Accounts payable	533,939	121,819
Accrued professional fees	84,122	67,504
	618,061	189,323

6. LOAN RECEIVABLE AND LOAN PAYABLE

On December 4, 2019, the Company and 1205457 B.C. Ltd. (“Fundco”), a third-party lender which became a shareholder upon conversion of debenture (Note 8), entered into letter of agreement to assist the Company in providing financing and facilitating the acquisition of all the shares of the Company by Big Sky by way of three-cornered amalgamation (the “Acquisition”) (Note 13). Under the terms of this amended agreement, the Company is responsible for all the costs and expenses incurred by Fundco in connection with its capital raising activities, the loans and facilitating the Acquisition, provided that any individual expense in excess of $50,000 and aggregate expenses in excess of $1 million will require prior approval from the Company. These costs and expenses shall relate to professional services, marketing services, financial advisory, roadshows, travel, advertising and administrative costs. In addition, the Company will also be responsible for fees payable to eligible finders engaged in connection with Fundco; the advances made by Fundco to a third party (“Third Party”) for cannabis dispensary developments, which total $390,087 (including accrued interest of $22,814); and fees associated to hire a CEO of the Company.

Consequently, the Company recognized loans payable totaling to $1,711,016 (2019 - Nil) as at June 30, 2020 which mainly relates to the transaction costs of pre-approved $1,000,000, and a loan receivable of $367,273 of advances made to the Third Party with the option to purchase cannabis dispensaries. The loan payable bears no interest and is payable on demand. The loan advances to the Third Party bear an interest of 5% per annum, secured by all of the personal property of the Third Party. Subsequent to the year ended June 30, 2020, the loan owing from the Third-Party has been called.

On January 13, 2020, the Company entered into an Asset Purchase Option Agreement (“Option Agreement”) with the Third Party, whereby in exchange for $1,000,000 of common shares of the Company, the Third Party will grant the Company 100% interest in three cannabis dispensaries. In consideration for the Option Agreement, the Company will pay the Third Party $47,000 which will be offset against funds previously advanced to the Third Party. The common shares will be issued according to the following milestones:

(a) 1/3 on the grant date of a fully issued cannabis dispensary license for the applicable dispensary;
(b) 1/3 on the date the applicable dispensary location for the license begins its first day of commercial operations; and
(c) 1/3 upon the licensed dispensary generating at least $100,000 of revenue in any calendar month.

The Company will also pay the Third Party a royalty fee of $30,000 per month for each of the dispensaries that is in operation until the dispensary is acquired by the Company.

(Expressed in Canadian dollars)

7. PROMISSORY NOTE

On January 22, 2020, the Company entered into a Demand Grid Promissory Note of up to $5,000,000 with Fundco. The loan bears interest at 5% per annum accrued annually, secured by a general security agreement over all the Company's assets and is payable on demand.

Reconciliation of the promissory note is as follows:

Balance, June 30, 2019	**$**	**-**
Advances		1,919,250
Interest expense		24,949
Balance at June 30, 2020	**$**	**1,944,199**

8. CONVERTIBLE DEBENTURES

a) On May 7, 2019, the Company entered into a convertible debenture of $240,000 with Fundco, secured by a general security agreement over all the Company's assets. The loan bears interest at 5% per annum accrued annually and is repayable on May 7, 2021. The debt is automatically convertible into common shares and warrants of the Company immediately prior to a proposed transaction such that the holder of the promissory note will receive one share and one warrant of a related public company (Note 13 for each $0.02 of the debt principal. All accrued and unpaid interest will be forfeited. The warrants will be exercisable at $0.05 per share for a period of two years from the date of the closing of the transaction. As at June 30, 2020, the principal amount of convertible debt outstanding is $240,000 excluding interest of $12,033 (2019 - $240,000 excluding interest of $1,605).

b) On June 7, 2019, the Company entered into a convertible debenture with Fundco of up to $1,000,000, secured by a general security agreement over all the Company's assets. The loan bears interest at 5% per annum accrued annually and is repayable on June 7, 2021. The debt is automatically convertible into common shares of the Company immediately prior to a proposed transaction such that the holder of the promissory note will receive one share of a related public company (Note 13) for each $0.075 of the debt principal. All accrued and unpaid interest was forfeited. On December 19, 2019, the Company issued 5,000,000 common shares to Fundco upon conversion of $1,000,000 (2019 - $nil) principal loan amount at $0.20 per share based on and agreed upon conversion ratio of 2.6666667 and accrued interest of $22,940 (2019 - $nil) was forgiven.

(Expressed in Canadian dollars)

8. CONVERTIBLE DEBENTURES (CONTINUED)

c) On December 19, 2019, the Company entered into a convertible debenture of up to $860,000 with Fundco, secured by a general security agreement over all the Company's assets. The loan bears interest at 5% per annum accrued annually and is repayable on December 19, 2021. The conversion terms on this loan results in the lender receiving one share of the related public company (Note 13) for each $0.30 of principal debt and forfeiture of accrued and unpaid interest. As at June 30, 2020, the principal amount of convertible debenture outstanding is $860,000 excluding interest of $24,242 (2019 - nil).

Reconciliation of the convertible debentures are as follows:

Balance, June 30, 2018	**$**	**-**
Advances		400,000
Interest expense		2,110
Balance, June 30, 2019	**$**	**402,110**
Advances		1,700,000
Interest expense		57,205
Conversion into common shares		(1,000,000)
Interest expense forgiven		(22,940)
Balance at June 30, 2020	**$**	**1,136,375**
Current portion		**252,033**
Long-term portion		**884,342**
	$	**1,136,375**

9. SHARE CAPITAL

Authorized

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

Issued and outstanding

Year ended June 30, 2020:

The Company issued 5,000,000 common shares at $0.20 per share upon conversion of convertible debenture as described in Note 8(b).

Year ended June 30, 2019:

There was no capital activity during the year ended June 30, 2019.

Stock options

On June 30, 2020, the Company has finalized its Stock Option Plan (the “Plan”) which provides that the Committee or Board of Directors (“the Committee”) of the Company may from time to time, in its discretion, grant to directors, officers, employees and technical consultants and contractors to the Company, non-transferable options to purchase common shares of the Company.

(Expressed in Canadian dollars)

9. SHARE CAPITAL (CONTINUED)

Stock options (CONTINUED)

All options granted pursuant to the Plan shall be subject to the terms and conditions of the Plan. The number of shares which will be available for purchase pursuant to an option will be equal to the number of shares as determined by the Committee from time to time. If any option expires or otherwise terminates for any reason without having been exercised in full, the number of shares in respect of such expired or terminated option shall again be available for the purposes of granting options pursuant to the Plan. The grant date and the expiry date of an option shall be the dates fixed by the Committee at the time the option is granted and shall be set out in the option certificate issued in respect of such option, provided that the expiry date shall be no later than the tenth anniversary of the grant date of the option. The exercise price shall also be determined by the Committee and set out in the option certificate issued in respect of the option.

During the year ended June 30, 2020, stock-based compensation in the amount of $99,560 (2019 - $Nil) was recognized on the issuance and vesting of stock options to directors, officers and consultants.

The continuity of stock options for the year ended June 30, 2020 is summarized below:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, June 30, 2019	–	–
Granted	2,255,002	$0.23
Balance, June 30, 2020	**2,255,002**	**$0.23**

The following table summarizes the stock options outstanding and exercisable at June 30, 2020:

NUMBER OF OPTIONS		EXERCISE	
OUTSTANDING	EXERCISABLE	PRICE	EXPIRY DATE
1,523,752	666,642	$0.20	November 1, 2024
187,500	-	$0.05	2 years from date of listing
318,750	79,688	$0.05	March 1, 2025
225,000	-	$0.80	2 years from date of listing
2,255,002	**746,330**		

As at June 30, 2020, the weighted average remaining contractual life of all options outstanding was 3.97 years (2019 – N/A).

The Company uses the Black-Scholes option pricing model to estimate the fair value of the options granted during the year ended June 30, 2020 with a weighted average fair value of $0.11 (2019 - $nil). The following weighted average assumptions were used:

	2020	2019
Dividend yield	**Nil**	N/A
Forfeiture rate	**Nil**	N/A
Annualized volatility	**100 %**	N/A
Risk-free interest rate	**0.36%**	N/A
Expected life	**4.7 years**	N/A

(Expressed in Canadian dollars)

10. INCOME TAXES

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

	2020 $	2019 $
Net loss	(2,938,399)	(147,810)
Canadian statutory income tax rate	9%	9%
Income tax recovery at statutory rate	(264,456)	(13,303)
Tax effect of:		
Change in enacted tax rates	-	(29)
Items not deductible for tax purposes	9,330	-
Temporary difference	(195)	-
Unrecognized tax losses	255,321	13,332
Income tax provision	–	–

The significant components of unrecognized deferred income tax assets and liabilities are as follows:

	2020 $	2019 $
Deferred income tax assets		
Non-capital losses carried forward	270,550	15,336
Net deferred income tax asset	270,550	15,336

As at June 30, 2020, the Company has non-capital losses carried forward of approximately $270,000 which are available to offset future years' taxable income which will expire as follows:

Available to	Total $
2038	2,000
2039	13,000
2040	255,000
	270,000

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments. Except as disclosed elsewhere in the financial statements, related party transactions for the years ended June 30, 2020 and 2019 are as follows:

a) Related party transactions with directors and former directors and companies and entities over which they have significant influence over

	YEARS ENDED JUNE 30,	
	2020	2019
	$	$
Consulting fees	**29,782**	21,667

b) Key management compensation

	YEARS ENDED JUNE 30,	
	2020	2019
	$	$
Management salaries and short-term benefits	**254,799**	–
Share-based compensation	**76,173**	–

c) As at June 30, 2020, the Company has an amount owing to a director of $200 (2019 - Nil) and amount owing to a former director and shareholder amounting to $18,161 (2019 - Nil).

12. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company has a lease agreement for the headquarter office space in Pemberton, British Columbia. On April 30, 2020 upon entering into a lease, the Company recognized $538,948 for a ROU asset and $538,948 for a lease liability.

The continuity of the ROU asset and lease liability for the year ended June 30, 2020 is as follows:

Right-of-use asset		
Lease of office space, as at April 30, 2020	$	538,948
Amortization		(17,965)
As at June 30, 2020	**$**	**520,983**
Lease liability		
Lease liability recognized as at April 30, 2020	$	538,948
Lease payments		(12,433)
Lease interest		2,203
As at June 30, 2020	**$**	**528,718**
Current portion	$	102,601
Long-term portion		426,117
	$	**528,718**

(Expressed in Canadian dollars)

13. PROPOSED TRANSACTION

The Company signed a letter of intent ("LOI") on February 18, 2020 with Big Sky Corporation, in relation to the proposed business combination ("proposed transaction") between the Company and Big Sky. The proposed transaction is to be completed by way of an acquisition by Big Sky of all the outstanding shares of the Company in exchange for Big Sky's common shares, in a transaction that will constitute a reverse takeover of Big Sky. The LOI sets out indicative transaction terms in order that, among other things, the Company and Big Sky ("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. Subsequent to June 30, 2020, the termination date was extended to November 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 effected by way of a three-cornered amalgamation without court approval under the provisions of the *Business Corporations Act* (British Columbia) (the BCBCA). The Company will amalgamate with a newly incorporated wholly owned subsidiary of Big Sky, ("Subco") and will become a wholly owned subsidiary of Big Sky on completion of the proposed transaction, and the shareholders of the Company will exchange their shares in the Company for common shares of Big Sky. Upon completion of the proposed transaction, the resulting issuer will continue on with the business of the Company.

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

In connection with the proposed transaction, the Company will complete an equity financing for a minimum of $5 million. The proceeds of the financing will be used to expand the Company's existing product line, brand development, inventory management, bulk cannabis purchases and general working capital.

Subsequent to the year ended June 30, 2020, the Company entered into an amalgamation agreement with Big Sky and Subco with the same terms as in the LOI.

14. COMMITMENTS

The Company entered into a lease agreement for the headquarter office space on April 30, 2020 with an initial five-year term and a three-year equipment lease commencing July 16, 2020 (Note 4).

Payments committed for the next five years are as follows:

Year	Amount
2021	$ 341,520
2022	341,520
2023	342,720
2024	126,000
2025	126,000
	$ 1,277,760

15. SEGMENTED INFORMATION

The Company operates in one business segment, which is the extraction and processing of cannabis and hemp, once the Company's processing license is granted. The Company's long-term assets are in Canada.

16. SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2020,

- The Company entered into a share repurchase agreement with Fundco, whereby the Company will repurchase 5,000,000 common shares of the Company from Fundco for a consideration of $1,000,000, which will be repaid through a convertible promissory note, secured by a general security agreement over all the Company's assets. The loan bears interest at 5% per annum accrued annually and is repayable in 2 years. The debt is automatically convertible into common shares of the Company immediately prior to a proposed transaction such that the holder of the promissory note will receive one share of a related public company for each $0.075 of the debt principal.

SCHEDULE "D" -
MANAGEMENT'S DISCUSSION AND ANALYSIS OF BIG SKY

The Annual and Interim Management's Discussion and Analysis of Big Sky

Big Sky PETROLEUM

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BIG SKY PETROLEUM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

INTRODUCTION

This is Management's Discussion and Analysis ("MD&A") for Big Sky Petroleum Corporation ("Big Sky" or the "Company") and has been prepared based on information known to management as of April 6, 2020. This MD&A is intended to help the reader understand the financial statements of Big Sky.

The following information should be read in conjunction with the audited financial statements for the years ended December 31, 2019 and 2018 and the related notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). The MD&A provides a review of the performance of the Company for the year ended December 31, 2019. Additional information relating to the Company can be found on SEDAR www.sedar.com.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management also ensures that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable.

The Company's board of directors follows recommended corporate-governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management regularly to review the financial statements, including the MD&A, and to discuss other financial, operating and internal-control matters.

All currency amounts are expressed in US dollars unless otherwise noted.

FORWARD LOOKING STATEMENTS

Certain sections of this MD&A provide, or may appear to provide, a forward-looking orientation with respect to the Company's activities and its future financial results. Consequently, certain statements contained in this MD&A constitute express or implied forward-looking statements. Terms including, but not limited to, "anticipate", "estimate", "believe" and "expect" may identify forward-looking statements. Forward-looking statements, while they are based on the current knowledge and assumptions of the Company's management, are subject to risks and uncertainties that could cause or contribute to the actual results being materially different than those expressed or implied. Readers are cautioned not to place undue reliance on any forward-looking statement that may be in this MD&A.

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The following forward-looking statements have been made in this MD&A:

- Future budgets and how long the Company expects its working capital to last; and
- Management expectations of future activities and results.

ADDITIONAL INFORMATION

Financial statements, MD&A's and additional information relevant to the Company and the Company's activities can be found on SEDAR at www.sedar.com, and/or on the Company's website at www.bspcorp.com.

SUMMARY AND OUTLOOK

The management is evaluating various potential opportunities for the Company.

Management's overall expectations for the Company are based on the following:

- The Company has completed a rollback, cut costs, divested itself in the oil and gas business by selling its subsidiaries and is evaluating various potential opportunities.
- 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 to the financial statements).

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1. Background

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 has been listed on the TSX Venture Exchange (the "TSX-V" or "Exchange") since May 5, 2006. Its shares began trading under the symbol "BSP" effective December 5, 2011. On December 3, 2013, the Company consolidated its share capital on the basis of one new share for every 10 old shares. On May 26, 2016, the Company's shares trading under the symbol "BSP.H" in the NEX Board of the Exchange. On August 13, 2018, the Company completed a five for two share consolidation. All references to the number of shares and per share amounts have been retroactively restated to reflect the consolidation.

2. Overview

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. Pure's operations will include toll processing, white labelling and its own private label of products incorporating its full spectrum THC – (tetrahydrocannabinol) – and CBD – (cannabidiol) – based extracted oils. Additionally, Pure intends to obtain approval of the production and sale of its products into the European Union, having built its facility to European Union good manufacturing practice standards. It is intended that the combined company will be a multifaceted company engaged in processing, extraction and sale of various branded products incorporating its full spectrum THC and CBD based oils.

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.

3. Risks and Uncertainties

Covid -19

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 and effect on the transaction with Pure.

Foreign Currency Rate Risk

The Company’s financing has been in Canadian dollars; however, a significant amount of the Company’s historical activities were transacted in or referenced to US dollars. At this time, 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.

Going forward, the Company’s operating costs could be in US dollars. As a result, fluctuations in the US dollar against the Canadian dollar could result in unanticipated fluctuations in the Company’s financial results. The Company does not manage its exposure to fluctuations in the US dollar against the Canadian dollar.

Additional Funding Requirements

The Company has no sources of operating income at present.

The Company’s ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or obtain alternative financing, in which it has been successful in the past but there can be no assurance that additional debt or equity financing will be available on terms acceptable to the Company.

Reliance on Key Personnel

The Company’s success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Company. The

Company does not have key person insurance in effect for management. The contributions of these individuals to the Company's immediate operations are likely to be of central importance. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the Company's management.

Conflicts of Interest

Certain of the Company's directors are also directors of other companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the *Business Corporations Act* (British Columbia).

4. Material Financial and Operations Information

(a) Selected Annual Financial Information

Selected Annual Information

	Year ended December 31 2019	Year ended December 31 2018	Year ended December 31 2017
	$	$	$
General and administrative expenses	(59,813)	(88,010)	(56,004)
Other income (expenses)	563	377	(11,500)
Net loss from continuing operations	(59,250)	(87,633)	(67,504)
Income from discontinued operations	-	-	591,780[1]
Loss per share – continuing operations	(0.01)	(0.02)	(0.03)
Earnings (loss) per share – discontinued operations	-	-	0.24
Total assets	24,921	41,654	11,963

(1). On August 31, 2017, Big Sky sold all its wholly-owned subsidiaries, along with the related assets and liabilities, to an arm's length private company for $11,318 (Cdn$14,000). As a result, the Company recognized a gain on sale of subsidiaries of $591,780.

(b) Summary of Quarterly Results

The following is a summary of the Company's financial results for the last eight quarters:

	Dec 31, 2019 Quarter	Sep 30, 2019 Quarter	Jun 30, 2019 Quarter	Mar 31, 2019 Quarter	Dec 31, 2018 Quarter	Sep 30, 2018 Quarter	Jun 30, 2018 Quarter	Mar 31, 2018 Quarter
Revenue	**-**	-	-	-	-	-	-	-
Net loss – continuing	**(20,574)**	(3,776)	(17,095)	(17,805)	(25,045)	(19,463)	(34,904)	(10,193)
Loss per share – continuing	**(0.01)**	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)

(c) Review of Operations and Financial Results

For the three months ended December 31, 2019 compared to the three months ended December 31, 2018

During the three months ended December 31, 2019, the Company had a net loss from continuing operations of $20,574 ($0.01 loss per share) as compared to a net loss from continuing operations of $25,045 ($0.01 loss per share) for the same period in 2018.

The Company's general and administrative expenses amounted to $20,666, compared to 2018's $23,187, a decrease of $2,521. Decrease is consistent with decreased operations.

For the year ended December 31, 2019 compared to the year ended December 31, 2018

During the year ended December 31, 2019, the Company had a net loss from continuing operations of $59,250 ($0.01 loss per share) as compared to a net loss from continuing operations of $87,633 ($0.02 loss per share) for the same period in 2018.

During the year ended December 31, 2019, the Company incurred $59,813 in general and administrative expenses, compared to 2018's $88,010, a decrease of $28,197. The decrease was mainly due to decline in legal fees paid in 2019 as compared to 2018 and the amount of $15,653 recorded in stock-based compensation in relation to the stock options issued to consultants and officers of the Company in 2018 where none was recorded in 2019.

(d) Liquidity and Capital Resources

The Company had a working capital deficiency of $154,873 as at December 31, 2019 (2018 – $91,660). Cash totaled $22,801 as at December 31, 2019, a decrease of $16,991 from $39,792 as at December 31, 2018.

As of the date of this MD&A, the Company has no other outstanding commitments. The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants.

Management estimates that the current cash position and future cash flows from operations will not be sufficient for the Company to carry out its operating plans through 2020. The Company will therefore rely on debt or equity financing in 2020 to continue with its operating plans.

There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its stated business objectives.

(e) Disclosure of Outstanding Share Data

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

	No. of Common Shares Issued & Outstanding	Share Capital Amount
December 31, 2019	12,477,064	$10,561,318
December 31, 2018	12,427,064	$10,559,429

As at December 31, 2019 the Company had 240,000 options outstanding, exercisable at Cdn$0.088 until June 22, 2023.

As of the date of this MD&A, there were 12,477,064 common shares issued and outstanding.

(f) Commitment and Contingency

None.

(g) Off-Balance Sheet Arrangements

None.

(h) Transactions with Related Parties

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 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

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

(i) Financial Instruments

The fair values of the Company's cash, accounts receivable (net of GST receivable), and 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.

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

- **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 assets or liabilities and did not transact in USD. The Company is not exposed to significant interest rate risk.

- **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. The Company's accounts receivable (net of GST receivable) is nominal.

- **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.

- **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.

(j) Management of Capital Risk

The Company's capital is comprised of amounts in shareholders' deficiency.

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.

5. Changes in Internal Control Over Financial Reporting ("ICFR")

Changes in Internal Control Over Financial Reporting ("ICFR")

In connection with National Instrument 52-109, *Certification of Disclosure in Issuer's Annual and Interim Filings* ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

Disclosure Controls and Procedures

The Company's CEO and CFO are responsible for establishing and maintaining the Company's disclosure controls and procedures. Management, including the CEO and CFO, have evaluated the procedures of the Company and have concluded that they provide reasonable assurance that material information is gathered and reported to senior management in a manner appropriate to ensure that material information required to be disclosed in reports filed or submitted by the Company is recorded, processed, summarized and reported within the appropriate time periods.

While management believes that the Company's disclosure controls and procedures provide reasonable assurance, they do not expect that the controls and procedures can prevent all errors, mistakes, or fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

BIG SKY PETROLEUM CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020

INTRODUCTION

This is Management's Discussion and Analysis ("MD&A") for Big Sky Petroleum Corporation ("Big Sky" or the "Company") and has been prepared based on information known to management as of August 28, 2020. This MD&A is intended to help the reader understand the financial statements of Big Sky.

The following information should be read in conjunction with the reviewed quarterly financial statements for the six-month period ended June 30, 2020 and audited financial statements for the year ended December 31, 2019 and the related notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The MD&A provides a review of the performance of the Company for the six-month ended June 30, 2020. Additional information relating to the Company can be found on SEDAR www.sedar.com.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management also ensures that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable.

The Company's board of directors follows recommended corporate-governance guidelines for public companies to ensure transparency and accountability to shareholders. The board's audit committee meets with management regularly to review the financial statements, including the MD&A, and to discuss other financial, operating and internal-control matters.

All currency amounts are expressed in Canadian dollars unless otherwise noted.

CHANGE IN PRESENTATION CURRENCY

On January 1, 2020, the Company changed its presentation currency from the U.S. dollar to the Canadian dollar. This change in presentation currency is to better reflect the Company's business activities, comprised primarily of Canadian dollar transactions as it provides more relevant presentation of the Company's financial position, financial performance and its cash flows. The Company's functional currency remains a Canadian dollar. The condensed interim financial statements for all periods presented have been translated into the new presentation currency in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates.* As the change in presentation currency represents a change in accounting policy, the Company applies the change retrospectively and makes a retrospective restatement of items in its condensed interim financial statements and presents a third statement of financial position as at the beginning of the preceding period to comply with the provisions of IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

The condensed interim financial statements have been restated to reflect the Company's results as if they had been historically presented in CAD. The currency translation reserve was reset to $Nil as at January 1, 2020 and share capital and other reserves were translated at the historic rates prevailing at the dates of underlying transactions. As a practical measure, the comparative shareholders' deficit balances were translated at the January 1, 2019 exchange rate.

The change in presentation currency resulted in the following impact on the January 1, 2019 opening condensed interim statement of financial position:

	Reported at January 1, 2019 in USD ($)	Presentation currency change ($)	January 1, 2019 in CAD ($) (Restated)
Total assets	41,654	15,173	56,827
Total liabilities	133,314	48,567	181,881
Total shareholders' deficiency	(91,660)	(33,394)	(125,054)

The change in presentation currency resulted in the following impact on the December 31, 2019 condensed interim statement of financial position:

	Reported at December 31, 2019 in USD ($)	Presentation currency change ($)	December 31, 2019 in CAD ($) (Restated)
Total assets	24,921	7,449	32,370
Total liabilities	179,794	53,741	233,535
Total shareholders' deficiency	(154,873)	(46,292)	(201,165)

FORWARD LOOKING STATEMENTS

Certain sections of this MD&A provide, or may appear to provide, a forward-looking orientation with respect to the Company's activities and its future financial results. Consequently, certain statements contained in this MD&A constitute express or implied forward-looking statements. Terms including, but not limited to, "anticipate", "estimate", "believe" and "expect" may identify forward-looking statements. Forward-looking statements, while they are based on the current knowledge and assumptions of the Company's management, are subject to risks and uncertainties that could cause or contribute to the actual results being materially different than those expressed or implied. Readers are cautioned not to place undue reliance on any forward-looking statement that may be in this MD&A.

The following forward-looking statements have been made in this MD&A:

- Future budgets and how long the Company expects its working capital to last; and
- Management expectations of future activities and results.

ADDITIONAL INFORMATION

Financial statements, MD&A's and additional information relevant to the Company and the Company's activities can be found on SEDAR at www.sedar.com, and/or on the Company's website at www.bspcorp.com.

SUMMARY AND OUTLOOK

The management is evaluating various potential opportunities for the Company.

Management's overall expectations for the Company are based on the following:

- The Company has completed a rollback, cut costs, divested itself in the oil and gas business by selling its subsidiaries and is evaluating various potential opportunities.
- 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 7 to the condensed interim financial statements).

TABLE OF CONTENTS

1. Background

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 has been listed on the TSX Venture Exchange (the "TSX-V" or "Exchange") since May 5, 2006. Its shares began trading under the symbol "BSP" effective December 5, 2011. On December 3, 2013, the Company consolidated its share capital on the basis of one new share for every 10 old shares. On May 26, 2016, the Company's shares trading under the symbol "BSP.H" in the NEX Board of the Exchange.

2. Overview

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. Pure's operations will include toll processing, white labelling and its own private label of products incorporating its full spectrum THC – (tetrahydrocannabinol) – and CBD – (cannabidiol) – based extracted oils. Additionally, Pure intends to obtain approval of the production and sale of its products into the European Union, having built its facility to European Union good manufacturing practice standards. It is intended that the combined company will be a multifaceted company engaged in processing, extraction and sale of various branded products incorporating its full spectrum THC and CBD based oils.

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. The proposed transaction is subject to the conditions relating to shareholder and regulatory approvals as set out in the definitive agreement.

3. Risks and Uncertainties

Covid -19

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 and effect on the transaction with Pure.

Foreign Currency Rate Risk

The Company's financing has been in Canadian dollars; however, a significant amount of the Company's historical activities were transacted in or referenced to US dollars. At this time, 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.

Additional Funding Requirements

The Company has no sources of operating income at present.

The Company's ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or obtain alternative financing, in which it has been successful in the past but there can be no assurance that additional debt or equity financing will be available on terms acceptable to the Company.

Reliance on Key Personnel

The Company's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Company. The Company does not have key person insurance in effect for management. The contributions of these individuals to the Company's immediate operations are likely to be of central importance.

Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the Company's management.

Conflicts of Interest

Certain of the Company's directors are also directors of other companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the *Business Corporations Act* (British Columbia).

4. Material Financial and Operations Information

(a) Review of Operations and Financial Results

For the three months ended June 30, 2020 compared to the three months ended June 30, 2019

During the three months ended June 30, 2020, the Company had a net loss from continuing operations of $5,083 ($0.00 loss per share) as compared to a net loss from continuing operations of $23,483 ($0.00 loss per share) for the same period in 2019. The decrease in net loss is due to the company writing off $12,879 of accounts payable during the three months ended June 30, 2020.

The Company's general and administrative expenses amounted to $17,988, (2019 - $23,672), a decrease of $5,684. Decrease is consistent with decreased consulting fees offset by increase in professional fees associated with transaction with Pure.

For the six months ended June 30, 2020 compared to the six months ended June 30, 2019

During the six months ended June 30, 2020, the Company had a net loss from continuing operations of $24,468 ($0.00 loss per share) as compared to a net loss from continuing operations of $46,543 ($0.00 loss per share) for the same period in 2019. The decrease in net loss is due to the company writing off $12,879 of accounts payable during the six months ended June 30, 2020.

The Company's general and administrative expenses amounted to $37,459, (2019 - $46,991), a decrease of $9,532. Decrease is consistent with decreased consulting fees offset by increase in professional fees associated with transaction with Pure.

(b) Liquidity and Capital Resources

The Company had a working capital deficiency of $225,633 as at June 30, 2020 (2019 – $201,165). Cash totaled $16,783 as at June 30, 2020, a decrease of $12,833 from $29,616 as at December 31, 2019.

As of the date of this MD&A, the Company has no other outstanding commitments. The Company has not pledged any of its assets as security for loans, or otherwise and is not subject to any debt covenants.

Management estimates that the current cash position and future cash flows from operations will not be sufficient for the Company to carry out its operating plans through 2020. The Company will therefore rely on debt or equity financing in 2020 to continue with its operating plans.

There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its stated business objectives.

(c) Disclosure of Outstanding Share Data

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

	No. of Common Shares Issued & Outstanding	Share Capital Amount
December 31, 2019	12,477,064	$9,878,277
June 30, 2020	12,477,064	$9,878,277

The Company did not issue any common shares during the six-months ended June 30, 2020 and 2019.

As at June 30, 2020 and December 31, 2019 the Company had 240,000 options outstanding, exercisable at $0.0875 until June 22, 2023.

As of the date of this MD&A, there were 12,477,064 common shares issued and outstanding.

(d) Commitment and Contingency

None.

(e) Off-Balance Sheet Arrangements

None.

(f) Transactions with Related Parties

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments.

a) As of June 30, 2020, the Company has payables to companies with common director amounting to $84,000 (December 31, 2019 - $84,000 and January 1, 2019 - $43,050), a company influenced by a director was owed $74,124 (December 31, 2019 – $71,474 and January 1, 2019 – $62,203) and $821 (December 31, 2019 – $Nil and January 1, 2019 – $Nil) owed to a personnel in key management.. Amounts due to related parties have no specific terms of repayment and are non-interest-bearing.

b) For the six-month period ended June 30, 2020, a company controlled by the CFO incurred $Nil (2019 - $18,000) for consulting fees. For the six-month period ended June 30, 2020, a company controlled by the CEO incurred $Nil (2019 - $18,000) for consulting fees.

(g) 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.

- **Foreign currency risk**

  The Company is not exposed to significant interest rate risk.

- **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.

- **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.

- **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.

(h) Management of Capital Risk

The Company's capital is comprised of amounts in shareholders' deficiency.

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.

5. Changes in Internal Control Over Financial Reporting ("ICFR")

Changes in Internal Control Over Financial Reporting ("ICFR")

In connection with National Instrument 52-109, *Certification of Disclosure in Issuer's Annual and Interim Filings* ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Disclosure Controls and Procedures

The Company's CEO and CFO are responsible for establishing and maintaining the Company's disclosure controls and procedures. Management, including the CEO and CFO, have evaluated the procedures of the Company and have concluded that they provide reasonable assurance that material information is gathered and reported to senior management in a manner appropriate to ensure that material information required to be disclosed in reports filed or submitted by the Company is recorded, processed, summarized and reported within the appropriate time periods.

While management believes that the Company's disclosure controls and procedures provide reasonable assurance, they do not expect that the controls and procedures can prevent all errors, mistakes, or fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

SCHEDULE "E" -
MANAGEMENT'S DISCUSSIONAND ANALYSIS OF PURE EXTRACT TECHNOLOGIES INC.

The Annual Management's Discussion and Analysis of Pure

Unit 8,7,6 - 7341 Industrial Way,
Pemberton, British Columbia
info@pureextractscorp.com

PURE EXTRACT TECHNOLOGIES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

INTRODUCTION

This is Management's Discussion and Analysis ("MD&A") for Pure Extract Technologies Inc. ("Pure" or the "Company") and has been prepared based on information known to management as of October 21, 2020. This MD&A is intended to help the reader understand the financial statements of the Company.

The following information should be read in conjunction with the audited financial statements for the years ended June 30, 2020 and 2019 and the related notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The MD&A provides a review of the performance of the Company for the year ended June 30, 2020.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management also ensures that information used internally or disclosed externally, including the financial statements and MD&A, is complete and reliable.

All currency amounts are expressed in Canadian (CDN) dollars, which is the Company's functional currency, unless otherwise noted.

FORWARD LOOKING STATEMENTS

Certain sections of this MD&A provide, or may appear to provide, a forward-looking orientation with respect to the Company's activities and its future financial results. Consequently, certain statements contained in this MD&A constitute express or implied forward-looking statements. Terms including, but not limited to, "anticipate", "estimate", "believe" and "expect" may identify forward-looking statements. Forward-looking statements, while they are based on the current knowledge and assumptions of the Company's management, are subject to risks and uncertainties that could cause or contribute to the actual results being materially different than those expressed or implied. Readers are cautioned not to place undue reliance on any forward-looking statement that may be in this MD&A.

The following forward-looking statements have been made in this MD&A:

- Future budgets and how long the Company expect its working capital to last; and
- Management expectations of future activities and results.

ADDITIONAL INFORMATION

Additional information relevant to the Company and the Company's activities can be found on the Company's website at https://pureextractscorp.com

1. Background

Pure Extract Technologies Inc. (the "Company" or "Pure") was incorporated on May 2, 2018 under the *Business Corporations Act* (British Columbia) ("BCBCA") as PurePulls Technology Corp. and subsequently changed its name to Pure Extract Technologies Inc. on November 28, 2018.

The Company holds a Health Canada standard processing licence under the Cannabis Act and related regulations. Pure has a fully built carbon dioxide extraction facility built to European Union GMP standards. Pure intends to undertake the business of the extraction and processing of cannabis and hemp as a third-party service to licensed producers for toll processing or white-label processing and for its own private label of products incorporating its full spectrum THC- and CBD-based extracted oils.

2. Pending Transaction with Big Sky Petroleum Corp.

Further to a letter of intent signed on February 18, 2020 with Big Sky Petroleum Corp. ("Big Sky") on October 20, 2020, the Company entered into the Amalgamation Agreement with 1270233 B.C. Ltd ("Acquireco") and Big Sky, pursuant to which Big Sky will acquire all of the issued and outstanding Pure Shares by way of a "three-cornered" amalgamation whereby:

(1) Acquireco and Pure will amalgamate, thereby forming a wholly owned subsidiary of the Company ("Amalco");

(2) each shareholder of Pure will transfer their common shares in Pure ("Pure Shares") to Big Sky in exchange for Big Sky common shares ("Big Sky Shares") on the basis of 2.6666666 Big Sky Shares for each Pure Share, resulting in an aggregate of 63,761,043 Big Sky Shares being issued to the former Pure shareholders;

(3) Big Sky will receive one fully paid and non-assessable common share of Amalco for each common share of Acquireco held by Big Sky, following which all such common shares of Acquireco will be cancelled;

(4) Big Sky will receive, for each Big Sky Share issued in the Amalgamation, one common share of Amalco and Amalco will become a wholly-owned subsidiary of Big Sky; and

(5) Options, warrants and other convertible securities of Big Sky will be issued to the holders of and in exchange and replacement for, on an equivalent basis, those same securities in Pure, which will then cancelled.

The Amalgamation will result in Amalco becoming a wholly-owned subsidiary of Big Sky. Upon completion of the amalgamation, Big Sky will change its name to "Pure Extracts Technologies Corp." and Amalco will change its name to "Pure Extracts Manufacturing Corp."

The resulting issuer following the Amalgamation intends to voluntarily delist its common shares from the NEX board of the TSX Venture Exchange and apply for listing on the Canadian Securities Exchange.

3. **Risks and Uncertainties**

COVID-19

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 and effect on the transaction with Big Sky.

Foreign Currency Rate Risk

The Company’s financing has been in Canadian dollars. At this time, the Company is not affected by changes in exchange rates between the Canadian dollar and US dollar (“USD”), since the Company does not have any USD monetary assets or liabilities and did not transact in USD.

Going forward, the Company’s operating costs could be in USD. As a result, fluctuations in the USD against the Canadian dollar could result in unanticipated fluctuations in the Company’s financial results. The Company does not manage its exposure to fluctuations in the USD against the Canadian dollar.

Additional Funding Requirements

The Company has no sources of operating income at present.

The Company’s ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or obtain alternative financing, in which it has been successful in the past but there can be no assurance that additional debt or equity financing will be available on terms acceptable to the Company.

Reliance on Key Personnel

The Company’s success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Company. The Company does not have key person insurance in effect for management. The contributions of these individuals to the Company’s immediate operations are likely to be of central importance. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the Company’s management.

Conflicts of Interest

Certain of the Company's directors are also directors of other companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the BCBCA.

Regulatory Risks

The business and activities of the Company will be heavily regulated in all jurisdictions where it will carry on business of the extraction and processing of cannabis and hemp as a third-party service to licensed producers for toll processing or white-label processing and for its own private label of products incorporating its full spectrum THC- and CBD-based extracted oils. The proposed activities of the Company will be subject to various laws, regulations and guidelines by governmental authorities, including, but not limited to, Health Canada. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. The Company's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products and/or provision of its services. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products and services, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Regulatory Approvals, Permits and Licenses

If obtained, any licenses the Company or its subsidiaries (if any) obtain in Canada and/or abroad are expected to be subject to ongoing compliance and reporting requirements. Although the Company believes it and its subsidiaries (if any) will meet the requirements for their applications and future renewals for their licenses (if awarded), there can be no guarantee that government bodies will award or renew any applicable licenses or, if renewed, that such licenses will be renewed on the same or similar terms or that regulatory authorities will not revoke any licenses. Failure by the Company or any of its subsidiaries to comply with the requirements of their licenses or any failure to maintain such licenses would have a material adverse impact on the business, financial condition and operating results of the Company. Should any jurisdiction in which the Company considers a license important not grant, extend or renew such license or should it renew such license on different terms, or should it decide to grant more than the anticipated number of licenses to other businesses, the business, financial condition and results of the operation of the Company could be materially adversely affected.

Government licenses are currently, and in the future may be, required in connection with the Company's and its subsidiaries' operations, in addition to other unknown permits and approvals which may be required. To the extent such permits and approvals are required and not obtained, for example, the Cannabis Act research license and hemp production license that have been applied for but not yet obtained, the Company and its subsidiaries may be prevented from operating and/or expanding their business, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Changes in Laws, Regulations and Guidelines

The Company's operations will be subject to various laws, regulations, guidelines and licensing requirements both in Canada and potentially abroad. The Company is expected to be in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company could have a material adverse effect on the Company's business, results of operations and financial condition. In particular, any amendment to or replacement of the Cannabis Act, may cause adverse effects to the Company's operations.

In addition, the industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic.

Factors related to the Company's Facilities which may prevent realization of business objectives

Any adverse changes affecting the development or construction of a facility and commencement of analytical and research services could have a material and adverse effect on the Company's business, financial condition and prospects. There is a risk that these changes or developments could adversely affect the Company's facilities by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

(a) delays in obtaining, or conditions imposed by, regulatory approvals;

(b) plant design errors;

(c) environmental pollution;

(d) non-performance by third party contractors;

(e) increases in materials or labour costs;

(f) construction performance falling below expected levels of output or efficiency;

(g) breakdown, aging or failure of equipment or processes;

(h) contractor or operator errors;

(i) labour disputes, disruptions or declines in productivity;

(j) inability to attract sufficient numbers of qualified workers;

(k) disruption in the supply of energy and utilities; or

(l) major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

Environmental Risk and Regulation

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates or intends to operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non- compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations.

The Canadian Medical and Recreational Cannabis Markets are Relatively New and these Markets may not Continue or Grow as Anticipated

As an anticipated license holder under the Cannabis Act, the Company will be operating its business in a relatively new industry and market. In addition to being subject to general business risks, the Company must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry and market could have a material adverse effect on the Company's business, financial conditions and results of operations.

Limited Operating History

The Company was incorporated and began carrying on business in May 2018. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

History of Losses

The Company has incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, it will not be profitable.

Reliance on Management

Another risk associated with the production and sale of cannabis is the loss of important staff members. The Company is currently in good standing with all high-level employees and believes that with well managed practices it will remain in good standing. The success of the Company will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

In addition, the Company's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of the Company.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Additional Financing

There is no guarantee that the Company will be able to execute on its business strategy. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business strategy or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and materially adversely affect the fair value of the common shares.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources of the Company.

Risks Related to the Cannabis Industry

The Company may not be able to develop its brands, products and services, which could prevent it from ever becoming profitable

If the Company cannot successfully develop, manufacture, distribute and provide its brands, products and services (as applicable) or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop successful brands, market-ready commercial products at acceptable costs, or provide sufficient services, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in its manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

The Company's directors, officers, employees and investors may be subject to entry bans into the United States

Cannabis is illegal under United States (U.S.) federal law. Individuals employed at or investing in cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with cannabis businesses. Entry to the U.S. is granted at the sole discretion of Customs and Border Protection ("**CBP**") officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers that previous use of cannabis, or any substance prohibited by U.S. federal laws, could result in denial of entry to the U.S. business or financial involvement in the cannabis industry in Canada or in the U.S. could also be reason enough for CBP officers to deny entry. On September 21, 2018, CBP released a statement outlining its position with respect to enforcement of the laws of the U.S. It stated that Canada's legalization of cannabis will not change CBP enforcement of U.S. laws regarding controlled substances and because cannabis continues to be a controlled substance under U.S. law, working in or facilitating the proliferation of the cannabis industry in U.S. states or Canada may affect admissibility to the U.S. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S.; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible. Employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as the Company), who are not U.S. citizens, face the risk of being barred from entry into the U.S. for life.

If any of the Company's directors, officers and employees are determined to be inadmissible to enter the United States, this could have a negative impact on the Company's ability to operate in the U.S. In addition, the perception that involvement in the cannabis industry could lead to inadmissibility to the U.S. could make it more difficult for the Company to continue to retain and engage qualified directors, officers and employees in the future.

Product Liability

If licensed as a distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's products would involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Competition

There is potential for the Company to face intense competition from other companies, some of which have longer operating histories and more financial resources, industry, manufacturing and marketing experience than the Company. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger and better-financed competitors with geographic and other structural advantages could materially and adversely affect the proposed business, financial condition and results of operations of the Company. To date, the application process to secure a license under the Cannabis Act has remained rigorous and highly competitive. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. The current number of licenses granted and the rigorous regulatory landscape could hinder the Company's ability to secure a license, thereby having a negative impact on the operations of the Company.

If the number of users of medical and/or recreational cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of the Company.

Client Acquisition and Retention

The Company's success will depend to a substantial extent on the willingness of new customers to try or migrate to its service and/or products. If customers do not perceive the benefits of the Company's products and/or services, then the market for these products and/or services may not develop at all, or it may develop more slowly than expected, either of which would significantly adversely affect operating results. In addition, as a new company in this competitive market, the Company has limited insight into trends that may develop and affect its business. The Company may make errors in predicting and reacting to relevant economic and currency-related trends, which could harm its business.

There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to, the Company's ability to provide desirable and effective products and/or services, the Company's ability to successfully implement a customer-acquisition plan, continued growth in the number of medical and recreational cannabis users and the number of competitors providing similar products and/or services.

Transportation Risks

Due to the perishable nature of its proposed products, the Company will depend on fast and efficient third-party transportation services to distribute its product. Any prolonged disruption of third-party transportation services could have an adverse effect on the financial condition and results of operations of the Company.

4. Material Financial and Operations Information

(a) Selected Annual Financial Information

Selected Annual Information

Fiscal year ended	Year ended June 30, 2020	Year ended June 30, 2019	May 2, 2018 (Date of Incorporation) to June 30, 2018
	$	$	$
Revenue	–	–	–
Operating expenses	(2,984,152)	(147,810)	(21,404)
Net loss and comprehensive loss for the year	(2,938,399)	(147,810)	(21,404)
Basic and diluted loss per share	(0.52)	(0.05)	(0.01)
Total assets	4,428,677	902,219	480,000
Long-term financial liabilities	1,310,459	402,110	-

(b) Review of Operations and Financial Results

For the year ended June 30, 2020 compared to the year ended June 30, 2019

During the year ended June 30, 2020, the Company had a net loss and comprehensive loss of $2,938,399 (2019 – $147,810) or $0.52 loss per share (2019 – $0.05), an increase of $2,790,589.

During the year ended June 30, 2020, 2020, the Company incurred $2,984,152 in operating expenses (2019 – $147,810), an increase of $2,836,342. This increase was mainly due to transaction costs of $1,000,000 (includes various consultants, attending of cannabis and investor conferences, and travel), the hiring of personnel in order to begin the early stage of operations which includes consulting, salaries and benefits totaling $889,510 as compared to $72,742 in the prior comparable year. The Company incurred $412,266 (2019 - $53,355) in accounting and legal fees during the year ended June 30, 2020 mostly attributed to competition of the transaction with Big Sky and listing on the CSE. Office expense and office and equipment rental increased from $9,161 for the year ended June 30, 2019 to $223,365 for the year ended June 30, 2020, an increase of $214,204. This increase is attributable to the costs required to set up the administrative infrastructure in order to begin early stage operations. The Company recorded $99,560 (2019 – $Nil) in stock-based compensation during the year for the granting of 2,255,002 options at a weighted average price of $0.23 per share. This is a non-cash expense which was attributable to the number of options granted and vested during the year and the assumptions used for the Black-Scholes option pricing model. The Company incurred $113,342 in travel and entertainment expenses during the year ended June 30, 2020 as compared to $Nil in the prior year. These expenditures along with advertising and promotion expenses of $46,576 (2019 - $Nil) were required for travel to the Company’s facilities in Pemberton and for the attendance of various conferences to raise investor awareness and inform management of new developments in the industry.

For the three months ended June 30, 2020 compared to the year ended June 30, 2019

During the three months ended June 30, 2020, the Company had a net loss and comprehensive loss of $818,729 (2019 – $144,566) or $0.10 loss per share (2019 – $0.05), an increase of $674,163.

During the three months ended June 30, 2020, the Company incurred $841,542 in operating expenses (2019 – $144,566), an increase of $696,976. This increase was mainly due to the hiring of additional personnel in order to begin the early stage of operations which includes consulting, salaries and benefits totaling $361,277 as compared to $22,742 in the comparable period. The Company incurred $157,959 (2019 - $53,355) in accounting and legal fees during the three months ended June 30, 2020 mostly attributed to competition of the transaction with Big Sky and listing on the CSE. Office expense and office and equipment rental increased from $161 for the three-months ended June 30, 2019 to $100,032 for the three-month ended June 30, 2020, an increase of $99,871. This increase is attributable to the costs required to set up the administrative infrastructure in order to begin early stage operations. The Company recorded $99,560 (2019 – $Nil) in stock-based compensation during the fourth quarter for the granting of 2,255,002 options at a weighted average price of $0.23 per share. This is a non-cash expense which was attributable to the number of options granted and vested during the year and the assumptions used for the Black-Scholes option pricing model.

(c) Summary of Quarterly Results

	Q4 Jun 30, 2020 $	Q3 Mar 31, 2020 $	Q2 Dec 31, 2019 $	Q1 Sep 30, 2019 $	Q4 Jun 30, 2019 $	Q3 Mar 31, 2019 $	Q2 Dec 31, 2018 $	Q1 Sep 30, 2018 $
Total revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss and comprehensive loss	818,729	1,754,061	143,806	221,803	144,566	(6)	–	3,250
Basic loss per share	0.10	0.32	0.05	0.07	0.05	0.00	0.00	0.00

During Q3 2020, the company recognized $1,000,000 transactions costs related to the Transaction with BSP. Costs include but not limited to, various consulting fees, attendance of investor and cannabis conferences and travel

(d) Liquidity and Capital Resources

At June 30, 2020, the Company had working capital deficiency of $3,842,341 (2019 – $94,271). Cash totaled to $134,395 as at June 30, 2020 (2019 – $73,564).

Management estimates that the current cash position may not be sufficient for the Company to carry out its operating plans through the fiscal year ended June 30, 2021. The Company will therefore rely on debt or equity financing to continue with its operating plans.

As of the date of this MD&A, the Company has several loans, convertible debentures and a promissory note outstanding for the total amount of $4,791,590. The Company has entered into a general security agreement against these loans secured by a general security agreement over all the Company's assets.

On May 7, 2019, the Company entered into a convertible debenture of $240,000 with Fundco, secured by a general security agreement over all the Company's assets. The loan bears interest at 5% per annum accrued annually and is repayable on May 7, 2021. The debt is automatically convertible into common shares and warrants of the Company immediately prior to a proposed transaction such that the holder of the promissory note will receive one share and one warrant of a related public company (Note 13 for each $0.02 of the debt principal. All accrued and unpaid interest will be forfeited. The warrants will be exercisable at $0.05 per share for a period of two years from the date of the closing of the transaction. As at June 30, 2020, the principal amount of convertible debt outstanding is $240,000 excluding interest of $12,033 (2019 - $240,000 excluding interest of $1,605).

On June 7, 2019, the Company entered into a convertible debenture with Fundco of up to $1,000,000, secured by a general security agreement over all the Company's assets. The loan bears interest at 5% per annum accrued annually and is repayable on June 7, 2021. The debt is automatically convertible into common shares of the Company immediately prior to a proposed transaction such that the holder of the promissory note will receive one share of a related public company (Note 13) for each $0.075 of the debt principal. All accrued and unpaid interest was forfeited. On December 19, 2019, the Company issued 5,000,000 common shares to Fundco upon conversion of $1,000,000 (2019 - $nil) principal loan amount at $0.20 per share based on and agreed upon conversion ratio of 2.6666667 and accrued interest of $22,940 (2019 - $nil) was forgiven.

During the year ended June 30, 2020:

- On December 4, 2019, the Company and 1205457 B.C. Ltd. (“Fundco”), a third-party lender which became a shareholder upon conversion of debenture (Note 8 in the June 30, 2020 audited financial statements), entered into letter of agreement to assist the Company in providing financing and facilitating the acquisition of all the shares of the Company by Big Sky by way of three-cornered amalgamation (the “Acquisition”) (Note 13 in the June 30, 2020 audited financial statements). Under the terms of this amended agreement, the Company is responsible for all the costs and expenses incurred by Fundco in connection with its capital raising activities, the loans and facilitating the Acquisition, provided that any individual expense in excess of $50,000 and aggregate expenses in excess of $1 million will require prior approval from the Company. These costs and expenses shall relate to professional services, marketing services, financial advisory, roadshows, travel, advertising and administrative costs. In addition, the Company will also be responsible for fees payable to eligible finders engaged in connection with Fundco; the advances made by Fundco to a third party (“Third Party”) for cannabis dispensary developments, which total $390,087 (including accrued interest of $22,814); and fees associated to hire a CEO of the Company.

  Consequently, the Company recognized loans payable totaling to $1,711,016 (2019 - $Nil) as at June 30, 2020 which mainly relates to the transaction costs of pre-approved $1,000,000, and a loan receivable of $367,273 of advances made to the Third Party with the option to purchase cannabis dispensaries. The loan payable bears no interest and is payable on demand. The loan advances to the Third Party bear an interest of 5% per annum, secured by all of the personal property of the Third Party. Subsequent to the year ended June 30, 2020, the loan owing from the Third-Party has been called.

  On January 13, 2020, the Company entered into an Asset Purchase Option Agreement (“Option Agreement”) with the Third Party, whereby in exchange for $1,000,000 of common shares of the Company, the Third Party will grant the Company 100% interest in three cannabis dispensaries. In consideration for the Option Agreement, the Company will pay the Third Party $47,000 which will be offset against funds previously advanced to the Third Party. The common shares will be issued according to the following milestones:

  - 1/3 on the grant date of a fully issued cannabis dispensary license for the applicable dispensary;

    - 1/3 on the date the applicable dispensary location for the license begins its first day of commercial operations; and
    - 1/3 upon the licensed dispensary generating at least $100,000 of revenue in any calendar month.

    - The Company will also pay the Third Party a royalty fee of $30,000 per month for each of the dispensaries that is in operation until the dispensary is acquired by the Company.

- On December 19, 2019, the Company entered into a convertible debenture of up to $860,000 with Fundco, secured by a general security agreement over all the Company's assets. The loan bears interest at 5% per annum accrued annually and is repayable on December 19, 2021. The conversion terms on this loan results in the lender receiving one share of the related public company for each $0.30 of principal debt and forfeiture of accrued and unpaid interest. As at June 30, 2020, the principal amount of convertible debenture outstanding is $860,000 excluding interest of $24,242.

- On January 22, 2020, the Company entered into a Demand Grid Promissory Note of up to $5,000,000 with Fundco. The loan bears interest at 5% per annum accrued annually, secured by a general security agreement over all the Company's assets and is payable on demand. As at the date of this MD&A, the Company has received $1,919,250 in advances and accrued interest in the amount of $24,949.

(e) Disclosure of Outstanding Share Data

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

	No. of Common Shares Issued & Outstanding	Share Capital Amount $
June 30, 2020	8,000,000	1,480,000
June 30, 2019	3,000,000	480,000

During the year ended June 30, 2020, the Company issued 5,000,000 common shares at $0.20 per share upon conversion of the convertible debenture.

As of the date of this MD&A, there were 3,000,000 common shares issued and outstanding.

Subsequent to the year ended June 30, 2020, the Company entered into a share repurchase agreement with Fundco, whereby the Company will repurchase 5,000,000 common shares of the Company from Fundco for a consideration of $1,000,000, which will be repaid through a convertible promissory note, secured by a general security agreement over all the Company's assets. The loan bears interest at 5% per annum accrued annually and is repayable in 2 years. The debt is automatically convertible into common shares of the Company immediately prior to a proposed transaction such that the holder of the promissory note will receive one share of a related public company for each $0.075 of the debt principal.

As at June 30, 2020 and the date of this MD&A, the Company had no warrants outstanding.

Stock options

On June 30, 2020, the Company finalized its Stock Option Plan (the "Plan") which provides that the Committee or Board of Directors ("the Committee") of the Company may from time to time, in its discretion, grant to directors, officers, employees and technical consultants and contractors to the Company, non-transferable options to purchase common shares of the Company.

All options granted pursuant to the Plan shall be subject to the terms and conditions of the Plan. The number of shares which will be available for purchase pursuant to an option will be equal to the number of shares as determined by the Committee from time to time. If any option expires or otherwise terminates for any reason without having been exercised in full, the number of shares in respect of such expired or terminated option shall again be available for the purposes of granting options pursuant to the Plan. The grant date and the expiry date of an option shall be the dates fixed by the Committee at the time the option is granted and shall be set out in the option certificate issued in respect of such option, provided that the expiry date shall be no later than the tenth anniversary of the grant date of the option. The exercise price shall also be determined by the Committee and set out in the option certificate issued in respect of the option.

During the year ended June 30, 2020, stock-based compensation in the amount of $99,560 (2019 - $Nil) was recognized on the issuance and vesting of stock options to directors, officers and consultants.

The continuity of stock options for the year ended June 30, 2020 is summarized below:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance, June 30, 2019	–	–
Granted	2,255,002	$0.23
Balance, June 30, 2020	**2,255,002**	**$0.23**

The following table summarizes the stock options outstanding and exercisable at June 30, 2020:

NUMBER OF OPTIONS		EXERCISE	
OUTSTANDING	EXERCISABLE	PRICE	EXPIRY DATE
1,523,752	666,642	$0.20	November 1, 2024
187,500	–	$0.05	2 years from date of listing
318,750	79,688	$0.05	March 1, 2025
225,000	–	$0.80	2 years from date of listing
2,255,002	**746,330**		

As at June 30, 2020, the weighted average remaining contractual life of all options outstanding was 3.97 years (2019 – N/A).

(f) Commitment and Contingency

The Company entered into a lease agreement for the headquarter office space and processing facility on April 30, 2020 with an initial five-year term and a three-year equipment lease commencing July 16, 2020.

Payments committed for the next five years are as follows:

Year	Amount
2021	$ 341,520
2022	341,520
2023	342,720
2024	126,000
2025	126,000
	$ 1,277,760

(g) Off-Balance Sheet Arrangements

None.

(h) Transactions with Related Parties

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments. Except as disclosed elsewhere in the financial statements, related party transactions for the years ended June 30, 2020 and 2019 are as follows:

i) Related party transactions with directors and former directors and companies and entities over which they have significant influence over:

	Years ended June 30,			
		2020		2019
Consulting fees				
Doug Benville, a director of the Company	$	14,891	$	10,833
Sean DeWitt, a former director of the Company		14,891		10,833
Management salaries and short-term benefits				
Sean Dewitt, a former director of the Company	$	11,222	$	-

ii) Key management compensation:

	Years ended June 30,			
		2020		2019
Share-based compensation				
Bentley Nikolaevsky, an officer of the Company	$	76,173	$	–
Management salaries and short-term benefits				
Doug Benville, a director and officer of the Company		137,327		-
Bentley Nikolaevsky, an officer of the Company	$	106,250	$	-

(i) Financial Instruments

The carrying values of cash, accounts and loan receivables and accounts payable and accrued liabilities, due to related parties, loan payable and promissory note approximate their fair values due to the relatively short-term maturity of these instruments. The Company classifies its cash as fair value through profit and loss and accounts payable and accrued liabilities and due to shareholders as other financial liabilities. The convertible debts are classified as level 3 on the fair value hierarchy.

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, currency risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

iii) Foreign currency risk

Currency risk is the risk of loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations on foreign currency denominated monetary assets and liabilities. The Company's has minimal transactions in foreign currencies and is not exposed to significant foreign currency risk.

iv) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets which primarily is cash and its loan receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The Company's cash is held with a major Canadian-based financial institution. The amount owed in loan receivable is from a third party which the Company believes is collectible and is secured against the third party's personal assets. The carrying amount of financial assets represents the maximum credit exposure.

v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt and equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company has cash at June 30, 2020 in the amount of $134,395 (2019 - $73,564), in order to meet short-term liabilities of $4,646,271 (2019 - $189,323). There is no assurance that financing will be available or, if available, that such financing will be on terms acceptable to the Company. The Company monitors its risk of shortage of funds by monitoring the maturity dates of its existing liabilities. The loan payable, promissory note and convertible debentures are due in the next 1 to 2 years.

vi) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their cash in bank, promissory note and convertible debentures. The Company's loan receivable bears interest at 8% per annum and its promissory note and convertible debentures currently provides for interest at both 5% per annum. The Company's loan payable is non-interest bearing.

The Company does not expect any significant effect on the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the of the financial year.

(j) Management of Capital Risk

The Company‘s capital is comprised of amounts in shareholders' deficiency.

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 since the year ended June 30, 2019 and the Company is not subject to any externally imposed capital requirements.

SUBSEQUENT EVENTS

On October 9, 2020, the Company entered into a share repurchase agreement with Fundco, whereby the Company will repurchase 5,000,000 common shares of the Company from Fundco for a consideration of $1,000,000, which will be repaid through a convertible promissory note, secured by a general security agreement over all the Company's assets. The loan bears interest at 5% per annum accrued annually and is repayable in 2 years. The debt is automatically convertible into common shares of the Company immediately prior to a proposed transaction such that the holder of the promissory note will receive one share of a related public company for each $0.075 of the debt principal.