

WESTCOT VENTURES CORP.
(Formerly Sparrow Ventures Corp.)

Condensed Interim Financial Statements
Nine Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

WESTCOT VENTURES CORP.
(Formerly Sparrow Ventures Corp.)
Condensed Interim Statements of Financial Position
(Unaudited – prepared by management)
As at October 31, 2018 and January 31, 2018
(Expressed in Canadian Dollars)

	Note	October 31, 2018	January 31, 2018
		\$	\$
ASSETS			
CURRENT			
Cash		348,726	195,515
GST receivable		28,197	11,733
Prepaid expenses	4	162,800	200,867
		<u>539,723</u>	<u>408,115</u>
Deposit in trust	8	2,764,999	-
		<u>3,304,722</u>	<u>408,115</u>
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	5	173,143	43,962
Loans payable	6	11,299	25,960
Current portion of convertible debentures and accrued interest	7	15,963	17,935
		<u>200,405</u>	<u>87,857</u>
NON-CURRENT			
Accrued interest on convertible debentures	7	-	9,056
		<u>200,405</u>	<u>96,913</u>
SHAREHOLDERS' EQUITY			
Share capital	8	2,531,950	1,998,618
Subscription receipts	8	2,747,409	-
Share subscriptions	8	66,000	-
Reserves		105,298	105,298
Deficit		(2,346,340)	(1,792,714)
		<u>3,104,317</u>	<u>311,202</u>
		<u>3,304,722</u>	<u>408,115</u>

Nature of operations and going concern (Note 1)
Subsequent event (Note 13)

Approved on behalf of the board:

“Von Torres”

Von Torres, Director

“Liam Corcoran”

Liam Corcoran, Director

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

WESTCOT VENTURES CORP.

(Formerly Sparrow Ventures Corp.)

Condensed Interim Statements of Operations and Comprehensive Loss

(Unaudited – prepared by management)

For the Three and Nine Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

	Note	Three months ended October		Nine months ended October	
		2018	31, 2017	2018	31, 2017
		\$	\$	\$	\$
EXPENSES					
Advisory fees		10,000	-	10,000	-
Consulting fees		107,875	65,000	311,000	175,000
Directors fees	9	4,500	6,667	15,000	11,667
Management fees	9	9,000	19,500	50,250	49,167
Office, rent and administration		2,236	192	2,740	642
Professional fees		10,820	11,026	37,525	23,141
Regulatory fees		2,333	4,057	8,713	7,165
Transaction costs	8	85,000	-	85,000	-
Transfer agent and shareholder information		4,207	3,838	8,677	5,683
Travel and promotion		272	-	22,851	-
LOSS BEFORE OTHER ITEMS		(236,243)	(110,280)	(551,756)	(272,465)
OTHER ITEMS					
Gain on forgiveness of debt	6	-	-	-	19,324
Finance costs	6,7	(303)	(27,078)	(1,870)	(38,279)
		(303)	(27,078)	(1,870)	(18,955)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		(236,546)	(137,358)	(553,626)	(291,420)
BASIC AND DILUTED LOSS PER SHARE		(0.01)	(0.04)	(0.03)	(0.10)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED		18,871,639	3,567,444	18,281,856	3,013,316

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

WESTCOT VENTURES CORP.

(Formerly Sparrow Ventures Corp.)

Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)

(Unaudited – prepared by management)

For the Nine Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

	Note	Number of Common Shares	Share Capital	Subscription Receipts	Share Subscriptions	Reserves	Deficit	Total
			\$	\$	\$	\$	\$	\$
Balance, January 31, 2017		2,731,660	1,010,618	-	-	105,298	(1,369,331)	(253,415)
Issuance of shares for debenture conversion		3,661,526	238,000	-	-	-	-	238,000
Funds received in advance of share issuance		-	-	380,375	-	-	-	380,375
Equity component of debt		-	-	-	-	18,531	-	18,531
Net loss for the period		-	-	-	-	-	(291,420)	(291,420)
Balance, October 31, 2017		6,393,186	1,248,618	380,375	-	123,829	(1,660,751)	92,071
Balance, January 31, 2018		17,504,296	1,998,618	-	-	105,298	(1,792,714)	311,202
Shares issued for convertible debt	8	184,614	12,000	-	-	-	-	12,000
Private placement	8	857,142	300,000	-	-	-	-	300,000
Shares issued for warrant exercises	8	3,348,136	221,332	-	-	-	-	221,332
Subscription receipts issuance costs	8	-	-	(17,590)	-	-	-	(17,590)
Issuance of subscription receipts	8	-	-	2,764,999	-	-	-	2,764,999
Funds received in advance of share issuance	8	-	-	-	66,000	-	-	66,000
Net loss for the period		-	-	-	-	-	(553,626)	(553,626)
Balance, October 31, 2018		21,894,188	2,531,950	2,747,409	66,000	105,298	(2,346,340)	3,104,317

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

WESTCOT VENTURES CORP.
(Formerly Sparrow Ventures Corp.)
Condensed Interim Statements of Cash Flows
(Unaudited – prepared by management)
For the Nine Months Ended October 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(553,626)	(291,420)
Items not involving cash:		
Finance costs	1,870	38,279
Gain on forgiveness of debt	-	(19,324)
Changes in non-cash working capital accounts:		
GST receivable	(16,464)	(2,384)
Prepaid expenses	38,067	(91,702)
Accounts payable and accrued liabilities	129,181	(46,575)
NET CASH USED IN OPERATING ACTIVITIES	(400,972)	(413,126)
INVESTING ACTIVITIES		
Deposit in trust	(2,764,999)	-
NET CASH USED IN INVESTING ACTIVITIES	(2,764,999)	-
FINANCING ACTIVITIES		
Proceeds from share issuance	521,332	-
Proceeds from subscription receipts, net	2,747,409	-
Proceeds in advance of share issuance	66,000	380,375
Proceeds from convertible debentures	-	177,241
Proceeds from loans payable	-	25,000
Repayment of loans payable	(15,559)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,319,182	582,616
INCREASE IN CASH	153,211	169,490
Cash, beginning of period	195,515	301
CASH, END OF PERIOD	348,726	169,791
Non-cash financing and investing activities:		
Shares issued for settlement of convertible debentures	\$ 12,000	\$ -

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WESTCOT VENTURES CORP.

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Notes to the Condensed Interim Financial Statements

(Unaudited – prepared by management)

For the Nine Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Westcot Ventures Corp. (formerly Sparrow Ventures Corp.) (the “Company”) was incorporated on July 4, 2006, under the laws of the Business Corporations Act (British Columbia). Effective June 17, 2014, the Company’s listing was transferred to the NEX board of the TSX Venture Exchange (the “Exchange”) due to the Company’s failure to maintain the requirements for a TSX Venture Tier 2 company.

The head office, principal address, and records office of the Company are located at Suite 1080, 789 West Pender Street, Vancouver, British Columbia, Canada, V6C 1H2. The Company’s registered office address is located at Suite 700, 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

These condensed interim financial statements have been prepared on the basis that the Company is a going concern and will be able to meet its obligations and continue its operations for the next twelve months. Several conditions as set out below cast significant doubt on the Company’s ability to continue as a going concern.

The Company’s ability to continue as a going concern is dependent upon financial support from its creditors, shareholders, and related parties, its ability to obtain financing to fund working capital requirements and upon the attainment of future profitable operations.

The Company has not yet achieved profitable operations, has incurred significant operating losses and negative cash flows from operations, and has been reliant on external debt and equity financing. As at October 31, 2018, the Company has accumulated losses of \$2,346,340 since inception. There is no assurance that the Company will be successful in generating and maintaining profitable operations or in securing future debt or equity financing for its working capital and development activities.

These condensed interim financial statements do not reflect any adjustments to the amounts and classifications of assets and liabilities, which would be necessary should the Company be unable to continue as a going concern.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements were authorized for issuance on December 28, 2018 by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements.

(a) Basis of Presentation

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standards 34, “*Interim Financial Reporting*” (“IAS 34”), using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies and methods of computation applied by the Company in these condensed interim financial statements are the same as those applied in the Company’s annual audited financial statements as at and for the year ended January 31, 2018.

The condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended January 31, 2018.

Certain comparative figures have been reclassified to conform to the current period’s presentation.

WESTCOT VENTURES CORP.

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Notes to the Condensed Interim Financial Statements

(Unaudited – prepared by management)

For the Nine Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Significant Accounting Judgments, Estimates and Assumptions

In the preparation of condensed interim financial statements in conformity with IFRS, management is required to make judgments, estimates, and assumptions that affect the amounts reported and disclosed in the condensed interim financial statements and related notes. There has been no significant change to the Company's estimation and judgment from those disclosed in note 2 to the audited financial statements for the year ended January 31, 2018.

These condensed interim financial statements have been prepared on a historical cost basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

NOTE 3 – NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Financial Instruments

The Company adopted all of the requirements of IFRS 9 *Financial Instruments* ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 utilize a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application.

The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

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

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on February 1, 2018.

Measurement

Financial assets and liabilities at amortized cost

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

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NOTE 3 – NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (Continued)

Financial Instruments (Continued)

Financial assets and liabilities at FVTPL

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

Impairment of financial assets at amortized cost

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

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of operations and comprehensive loss.

Accounting Standards Issued But Not Yet Applied

Leases

On January 13, 2016, the IASB published a new standard, IFRS 16, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company continues to assess the impact of adopting this standard on its financial statements.

Other accounting pronouncements with future effective dates are either not applicable or are not expected to have a material impact on the Company's financial statements.

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For the Nine Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

NOTE 4 – PREPAID EXPENSES

	October 31, 2018	January 31, 2018
	\$	\$
Prepaid consulting fees	105,000	200,000
Travel advances	56,763	-
Other	1,037	867
	162,800	200,867

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2018	January 31, 2018
	\$	\$
Trade payables	22,299	14,735
Accrued liabilities	102,650	29,227
Other	48,194	-
	173,143	43,962

Included in trade payables and accrued liabilities are amounts due to related parties of \$12,382 (January 31, 2018 – \$13,667). Refer to Note 9. These related party payables are unsecured, non-interest bearing and due on demand.

NOTE 6 – LOANS PAYABLE

	October 31, 2018	January 31, 2018
	\$	\$
Loan payable of \$20,326 at 12% (a)	-	15,559
Loan payable of \$10,000 at 12% (b)	11,299	10,401
	11,299	25,960

- (a) The Company entered into loan agreements dated May 28, 2014 (the “Loans”), with its former Chief Executive Officer and a former director of the Company (“the Lenders”) for the total principal amount of \$20,326. The Loans are unsecured and bear interest at 12% per annum. In consideration for the Loans, the Company issued an aggregate of 67,800 common shares to the Lenders at a fair value of \$3,390 which was recorded as finance cost during the year ended January 31, 2016.

During the year ended January 31, 2018, the Loan from the former Chief Executive Officer, in the amount of \$13,824, was forgiven and the forgiveness of debt was included in the statement of operations and comprehensive loss for the current year. During the period ended October 31, 2018, the Company repaid the Loan of \$15,559 owing to the former director of the Company.

- (b) On October 7, 2017, the Company entered into a loan agreement for \$10,000. The loan is unsecured, bears interest at 12% per annum and matures on October 7, 2018. During the period ended October 31, 2018, the Company accrued \$898 in interest on the loan.

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(Unaudited – prepared by management)

For the Nine Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

NOTE 7 – CONVERTIBLE DEBENTURES

	Debentures carried at amortized cost	Interest accrued	Total
	\$	\$	\$
Balance at January 31, 2018	11,659	15,332	26,991
Interest expense	-	631	631
Accretion expense	341	-	341
Conversion to common shares	(12,000)	-	(12,000)
Balance at October 31, 2018	-	15,963	15,963

On March 28, 2018, debentures with a face value of \$12,000 were converted to 184,614 shares and 184,614 warrants.

(See Note 8).

NOTE 8 – SHARE CAPITAL

(a) Authorized

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

(b) Issued and Outstanding Share Capital

As at October 31, 2018, the Company has 21,894,188 (January 31, 2018 - 17,504,296) common shares issued and outstanding.

On August 27, 2018, the Company completed a non-brokered private placement offering of 7,899,996 subscription receipts of the Company, at a price of \$0.35 per subscription receipt, for aggregate proceeds of \$2,764,999. Each subscription receipt will be converted into one unit of the Company. Each unit will consist of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to obtain an additional common share of the Company at a price of \$0.50 for a period of 24 months from the date of issue.

The funds received from the subscription receipts are being held in trust until such time that the Company completes a proposed change of business transaction whereby the Company will acquire all of the issued and outstanding shares of MMJ Technologies Inc. and will transition from a resource issuer to a life sciences technology issuer on the Exchange.

On July 17, 2018, the Company completed a two-for-one forward share split (“Forward Split”) of the Company’s current issued and outstanding common shares. Prior to the Forward Split, the Company had 8,844,455 issued and outstanding common shares and, after the Forward Split, the Company had 17,688,910 issued and outstanding common shares. All comparative references herein to the number of shares, options, warrants, weighted average number of common shares and loss per share have been restated for the Forward Split, including all such numbers presented for the prior period.

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Notes to the Condensed Interim Financial Statements

(Unaudited – prepared by management)

For the Nine Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

NOTE 8 – SHARE CAPITAL (Continued)

(b) Issued and Outstanding Share Capital (Continued)

On March 28, 2018, convertible debentures with a face value of \$12,000 were converted to 184,614 units at a price of \$0.065 per unit. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share of the Company at a price of \$0.065 per share for a period of one year from the date of issuance.

On July 27, 2018, the Company completed a private placement financing and issued 857,142 units of the Company at a price of \$0.35 per unit, for proceeds of \$300,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.50 for a period of twelve months from the date of issue, with an automatic twelve-month extension if the Company is listed on the TSX Venture Exchange.

(c) Subscription Receipts

On August 27, 2018, the Company completed a non-brokered private placement offering of 7,899,996 subscription receipts of the Company, at a price of \$0.35 per subscription receipt, for aggregate proceeds of \$2,764,999. Each subscription receipt will be converted into one unit of the Company. Each unit will consist of one common share and one-half of one common share purchase warrant. Each whole warrant will entitle the holder to obtain an additional common share of the Company at a price of \$0.50 for a period of 24 months from the date of issue.

The funds received from the subscription receipts are being held in trust until such time that the Company completes a proposed change of business transaction whereby the Company will acquire all of the issued and outstanding shares of MMJ Technologies Inc. and will transition from a resource issuer to a life sciences technology issuer on the Exchange. During the period ended October 31, 2018, the Company recorded \$85,000 in transaction costs in connection with the change of business transaction and \$17,590 in issuance costs in connection with the issue of the subscription receipts.

(d) Share Subscriptions

During the period ended October 31, 2018, the Company received \$66,000 in advance of share issuance in connection with the exercise of warrants.

(e) Stock Options

The Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, at its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees, and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Stock options and charitable options will be exercisable for a year of up to 10 years from the date of grant.

In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised no later than 90 days, or, in the case of an optionee providing investor relations activities, the 30th day following cessation of the optionee's position

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NOTE 8 – SHARE CAPITAL (Continued)

(e) Stock Options (Continued)

with the Company, provided that if the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum year of six months after such death, subject to the expiry date of such option.

There were no stock options outstanding at October 31, 2018.

(f) Charitable options

During the period ended October 31, 2018, 21,000 charitable options, exercisable at \$0.50, expired.

(g) Warrants

Warrant transactions for the period ended October 31, 2018 are as follows:

	Number	Weighted Average Exercise Price
		\$
Balance, January 31, 2018	14,772,636	0.065
Issued	613,184	0.369
Exercised	(3,809,674)	0.066
Balance, October 31, 2018	11,576,146	0.105

The following table summarizes warrants outstanding as at October 31, 2018:

Exercise Price \$	Number of Warrants Outstanding	Expiry Date
0.09	10,962,962	November 21, 2018
0.065	184,614	March 28, 2019
0.50	428,570	July 27, 2019
	11,576,146	

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Notes to the Condensed Interim Financial Statements

(Unaudited – prepared by management)

For the Nine Months Ended October 31, 2018 and 2017

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NOTE 9 – RELATED PARTY TRANSACTIONS

Details of transactions between the Company and related parties are described as follows.

(a) Related Party Transactions

The Company incurred the following transactions with officers or companies controlled by officers during the periods ended October 31, 2018 and 2017:

	2018	2017
	\$	\$
Gain on forgiveness of debt (former CEO) (Note 6)	-	13,824
Management fees to the former CEO	(30,000)	(44,667)
Management fees to the CEO	(6,000)	-
Management fees to the CFO	(13,500)	(4,500)
Directors fees	(15,000)	(11,667)
	<u>(64,500)</u>	<u>(47,010)</u>

(b) Related Party Balances

The following related party amounts were reflected in the statement of financial position as at October 31, 2018 and January 31, 2018:

	October 31, 2018	January 31, 2018
	\$	\$
Trade payable to the CEO	107	-
Accrued liability to the company controlled by the CFO (Note 5)	4,450	4,500
Accrued liability to the company controlled by the CEO (Note 5)	1,500	-
Accrued liabilities to the Directors (Note 5)	6,325	9,167
Loans payable (former director) (Note 6)	-	15,559
	<u>12,382</u>	<u>29,463</u>

NOTE 10 – FINANCE AND OTHER COSTS

Nine Months ended	October 31, 2018	October 31, 2017
	\$	\$
Accretion of discount on debt (Note 7)	341	23,419
Interest expense (Note 6 and 7)	1,529	14,860
	<u>1,870</u>	<u>38,279</u>

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Notes to the Condensed Interim Financial Statements

(Unaudited – prepared by management)

For the Nine Months Ended October 31, 2018 and 2017

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NOTE 11 – FINANCIAL RISK MANAGEMENT

(a) Fair Value of Financial Instruments

The Company's financial instruments consist of cash, GST receivable, accounts payable, and loans payable. The carrying values of cash, GST receivable, accounts payable, and loans payable approximate their fair values because of their short-term nature and/or the existence of market related interest rates on the instruments.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of hierarchy are:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

(b) Financial Instruments Risk

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes:

(i) Credit Risk

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

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, that it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. There can be no assurance that the Company will be successful in generating and maintaining profitable operations or will be able to secure future debt or equity financing for its working capital and development activities (Note 1).

(iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest on the Company's loans payable and debentures is based on a fixed rate, and as such, the Company is not exposed to significant interest rate risk.

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(Formerly Sparrow Ventures Corp.)

Notes to the Condensed Interim Financial Statements

(Unaudited – prepared by management)

For the Nine Months Ended October 31, 2018 and 2017

(Expressed in Canadian Dollars)

NOTE 12 – CAPITAL MANAGEMENT

The Company manages its share capital as capital, which as at October 31, 2018, was \$2,514,360 (January 31, 2018 - \$1,998,618). The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to pursue the development and expansion of its business and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, or return capital to its shareholders.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its objectives. The Company may issue new shares or seek debt financing to ensure that there is sufficient working capital to meet its short-term business requirements. The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's management of capital during the period ended October 31, 2018.

NOTE 13 – SUBSEQUENT EVENTS

- 1) In November 2018, 10,823,926 warrants were exercised at \$0.09 for proceeds of \$974,153 and 139,036 warrants with an exercise price of \$0.09 expired.