INTEGRATED ENERGY STORAGE CORP.

FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Integrated Energy Storage Corp.

Opinion
We have audited the financial statements of Integrated Energy Storage Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive loss, changes in deficit and cash flows for the years then ended, and 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, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our 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 is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter
We draw attention to Note 1 to the financial statements, which indicates that the Company had not advanced any of its projects to commercial production and is not able to finance day to day activities through current operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Otto Ehinger.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 26, 2019

INTEGRATED ENERGY STORAGE CORP.
Statements of Financial Position
(Expressed in Canadian Dollars)

As at	December 31, 2018	December 31, 2017
Assets		
Current		
Cash	$ 8,162	$ 5,950
GST receivable	25,455	-
	33,617	5,950
License (Note 3)	-	21,730
Total Assets	$ 33,617	$ 27,680
Liabilities and Shareholders' Deficit		
Current		
Accounts payable and accrued liabilities (Note 5)	$ 82,219	$ 62,250
Demand loans (Note 4)	430,033	305,946
	512,252	368,196
Shareholders' Deficit		
Share capital (Note 6)	53,420	27,770
Subscriptions received (Note 6)	4,440	-
Stock option reserve (Note 6)	2,561	2,561
Deficit	(539,056)	(370,847)
	(478,635)	(340,516)
Total Liabilities and Shareholders' Deficit	$ 33,617	$ 27,680

Nature and continuance of operations (Note 1)
Subsequent events (Note 11)

Approved on behalf of the board

"Brian Stecyk"
Brian Stecyk, Director

"R. Brian Murray"
R. Brian Murray, Director

The accompanying notes are an integral part of these financial statements

INTEGRATED ENERGY STORAGE CORP.
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Operating expenses		
General and administrative	$ 7,411	$ 5,668
Amortization (Note 3)	4,074	5,431
Consulting fees	55,000	97,469
Patent maintenance costs	31,363	42,331
Professional fees	67,930	27,730
	(165,778)	(178,629)
Other items:		
Recovery (write off) of GST receivable	15,225	(15,225)
Impairment of intangible asset (Note 3)	(17,656)	-
Realized gain on investment (Note 8)	-	12,807
Net and comprehensive loss	$ (168,209)	$ (181,047)
Loss per share – basic and diluted	(0.02)	(0.02)
Weighted average number of common shares outstanding – basic and diluted	9,764,915	9,436,148

The accompanying notes are an integral part of these financial statements

INTEGRATED ENERGY STORAGE CORP.
Statement of Changes in Deficit
(Expressed in Canadian Dollars)

	Number of shares	Share capital	Subscriptions received	Stock option reserve	Deficit	Total
Balance, December 31, 2016	**9,436,148**	**$ 27,770**	**$ -**	**$ 2,561**	**$ (189,800)**	**$ (159,469)**
Net loss for the year	-	-	-	-	(181,047)	(181,047)
Balance, December 31, 2017	**9,436,148**	**27,770**	**-**	**2,561**	**(370,847)**	**(340,516)**
Shares issued for private placement	1,500,000	30,000	-	-	-	30,000
Share issue costs	-	(4,350)	-	-	-	(4,350)
Subscriptions received	-	-	4,440	-	-	4,440
Net loss for the year	-	-	-	-	(168,209)	(168,209)
Balance, December 31, 2018	**10,936,148**	**$ 53,420**	**$ 4,440**	**$ 2,561**	**$ (539,056)**	**$ (478,635)**

The accompanying notes are an integral part of these financial statements

INTEGRATED ENERGY STORAGE CORP.
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (168,209)	$ (181,047)
Items not affecting cash:		
Impairment of intangible asset	17,656	-
Amortization	4,074	5,431
(Recovery) write off of GST receivable	(15,225)	15,225
Realized gain on investment	-	(12,807)
Change in operating working capital:		
(Increase) in receivables	(10,230)	(13,518)
(Increase) decrease in prepaid expenses	-	5,000
Increase in accounts payable and accrued liabilities	53,076	19,740
Net cash flows used in operating activities	(118,858)	(161,976)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan	90,980	142,502
Shares issued for cash, net of issuance costs	25,650	-
Share subscriptions received (repaid)	4,440	(16,000)
Net cash flows provided by financing activities	121,070	126,502
CASH FLOWS USED IN INVESTING ACTIVITY		
Proceeds from sale of investment	-	12,807
Net cash flows provided by investing activities	-	12,807
Increase in cash	2,212	(22,667)
Cash, beginning of year	5,950	28,617
Cash, end of year	$ 8,162	$ 5,950

The accompanying notes are an integral part of these financial statements

1. Nature and continuance of operations

Integrated Energy Storage Corp. (the "Company"), was incorporated on May 31, 2010 under the *Business Corporations Act* (Alberta). The address, and principal place of business of the Company is Suite 608, 1199 West Pender Street, Vancouver, BC, Canada, V6E 2R1. The Company was pursuing the research and development of electrical energy storage systems primarily based upon the Vanadium Redox Battery Technology. The Company, on December 5, 2018, entered into a share exchange agreement with Medcolcanna (BVI) Inc. ("Medcolcanna") that will result in a reverse takeover of the Company by Medcolcanna shareholders. Pursuant to the proposed transaction, the holders of the issued and outstanding Medcolcanna shares shall receive one post-consolidation of the Company's common shares for each Medcolcanna share held. The Company has agreed to seek shareholder approval for, among other things, the consolidation of its outstanding shares and options at a ratio to result in there being approximately 12,900,000 common shares outstanding immediately prior to the closing of the transaction. Prior to completion of the transaction, the Company expects to arrange for the settlement of certain outstanding debts through the issuance of pre-consolidation common shares. In connection with completion of the transaction, the Company intends to issue approximately 6,450,000 resulting issuer warrants to the existing shareholders of the Company. If the reverse takeover completes, the Company will be in the process of establishing operations in Columbia as a producer of both THC and cannabidiol medical cannabis.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2018, the Company has not generated any revenue and has incurred a loss since inception. The Company's continuation as a going concern is dependent on its ability to generate future cash flows and/or obtain additional financing. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, loans from directors and companies controlled by directors and/or private placements of common stock. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The financial statements were authorized for approval on April 26, 2019.

2. Significant accounting policies

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance 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 financial statements have been prepared on an accrual basis and are based on historical costs modified where applicable. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, and the recoverability and measurement of deferred tax assets.

(c) Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

2. Significant accounting policies (continued)

(d) License

Expenditures related to the acquisition of license rights are recorded at cost less accumulated amortization and accumulated impairment loss, if any. Directly attributable expenditures are capitalized as intangible assets when the product is technically and commercially feasible, the costs of generating the asset can be reliably measured, and there is an adequate plan to complete the project.

The costs of the license right is amortized over the estimated life once the license is ready for use. Amortization is calculated on a straight-line method over its estimated useful life. The amortization rate and method applicable to the license right is straight-line for a period of 5 years.

(e) Income taxes

Current income tax

Current income tax assets and liabilities for the current period 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 reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the asset and liability 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 profit 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.

(f) Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking “expected loss” impairment model.

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 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 Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	Amortized cost	FVTPL
Receivables	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

2. Significant accounting policies (continued)

(f) Financial instruments (continued)

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive loss on January 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.

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 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 comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Impairment of financial assets at amortized cost:
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of 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 comprehensive loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

(g) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

(h) Loss per share

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by adjusting the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares.

(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

(i) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument 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 corresponding amount is credited to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model. 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.

(j) Accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2018, and are either not applicable or are not expected to have a significant impact on the Company's financial statements. These include IFRS 16 – Leases.

3. License

Effective October 18, 2016, the Company signed a license agreement to gain non-exclusive rights to certain patented technologies. Consideration for the license includes an aggregate $27,163 (US$20,000) paid over four trenches as outlined below:

October 18, 2016 ("effective date")	US$5,000 ($6,828 CDN paid)
Within 90 days of effective date	US$5,000 ($6,835 CDN paid)
Within 180 days of effective date	US$5,000 ($6,750 CDN paid)
Within 270 days of effective date	US$5,000 ($6,750 CDN paid)

The Company shall pay 1% of any revenues earned based on the licensed technology subject to minimum royalties starting in 2019 of $5,000, 2020 of $10,000 and 2021 and beyond of $20,000. The license terminates when the last of the patents expires or may terminate through written notice by the Company with 60 days notice.

The Company wrote down the license to $nil and recorded an impairment on the license of $17,656 during the year ended December 31, 2018 as it is changing its business plan and no longer intends to use the license.

4. Demand Loans

	December 31, 2018	December 31, 2017
Balance, beginning	$ 305,946	$ 52,000
Advances	124,057	142,502
Transferred from accounts payable	-	103,444
Transferred from subscriptions received	-	8,000
Balance, ending	**$ 430,003**	**$ 305,946**

The demand loans are unsecured, non-interest bearing and have no fixed terms of repayment. Of the balance, $10,000 is owing to a director (Note 7).

5. Accounts Payable

	December 31, 2018	December 31, 2017
Accounts payable	$ 68,219	$ 55,250
Accrued liabilities	14,000	7,000
Total	**$ 82,219**	**$ 62,250**

(Expressed in Canadian Dollars)

6. Share Capital

Authorized Share Capital

Unlimited common voting shares; and
Unlimited preferred shares, issuable in series, with the rights, privileges, restrictions and conditions determined by the Board of Directors upon issuance.

Issued share capital

At December 31, 2018 and, there are 10,936,148 (2017 - 9,436,148) common shares and no preferred shares outstanding.

On October 12, 2018, the Company issued 1,500,000 shares at a price of $0.02 per share for gross proceeds of $30,000. Share issue costs of $4,350 were paid in relation to this issuance.

Subscriptions Received

As of December 31, 2018, the Company has received $4,440 (2017 - $Nil) in relation to a future private placement which closed on March 5, 2019.

Stock Options

Changes in options during the years ended December 31, 2018 and 2017 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, as at December 31, 2018 and 2017	500,000	$0.25

The weighted average remaining life of the outstanding options at December 31, 2018 is 1.68 years.

Details of stock options outstanding and exercisable as at December 31, 2018 are as follows:

Number of options outstanding	Exercise Price	Expiry
500,000	$0.25	September 5, 2020

Stock Option reserve

The stock option reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

7. Related Party Transactions

Included in demand loans is $10,000 (2017 - $10,000) owing to a director of the Company (Note 4).

8. Sale of Investment

During the year ended December 31, 2017, the Company sold 56,060 shares of Arev Nutrition Sciences Inc. for proceeds of $12,807. The shares were written off in a prior year and had a carrying value of $nil, resulting in a gain on sale of $12,807.

(Expressed in Canadian Dollars)

9. Income Taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	December 31, 2018	December 31, 2017
Net loss before income taxes	$ 168,209	$ 181,047
Statutory tax rate	27%	26%
Expected income tax recovery at the statutory tax rate	45,416	47,072
Non-deductible items	3,591	(1,434)
Deferred tax assets not recognized	(49,008)	(45,638)
Income tax recovery	$ -	$ -

Details of deferred tax assets and liabilities are as follows:

	December 31, 2018	December 31, 2017
Investment	$ -	$ -
Loss carry-forwards	142,379	93,725
Valuation allowance	(142,379)	(93,725)
Net deferred tax asset	$ -	$ -

Management has determined that there is insufficient likelihood of recovery to record a benefit arising from potential tax assets. Accordingly a 100% valuation allowance has been applied.

The Company has available the following estimated non-capital loss carryforwards for which a deferred tax asset has not been recognized in the financial statements:

2030	$ 3,750
2031	13,731
2032	18,050
2033	16,968
2034	14,238
2035	15,013
2036	90,219
2037	146,092
2038	209,181
	$ 527,242

10. Financial Risks and Capital Management

(a) Fair values

The fair values of cash, accounts payable, demand loans and share subscription received approximate their carrying values due to the short-term to maturities of these financial instruments.

(b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

(c) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash. The risk in cash is managed through the use of a major financial institution which has a high credit quality as determined by rating agencies. Credit risk is assessed as low.

10. Financial Risks and Capital Management (continued)

(d) Foreign exchange rate risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company has no assets or liabilities denominated in foreign currencies; therefore, is not exposed to foreign exchange risk.

(e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company requires funds to finance its business activities. There is no assurance that financing will be available or, if available, that such financings will be on terms acceptable to the Company. Liquidity risk is assessed as high.

(f) Capital Management

The Company's capital structure consists of cash and share capital. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support acquisition and development of its license. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is dependent on external financing to fund its activities. In order to carry out its activities and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management since inception. The Company is not subject to externally imposed capital requirements.

11. Subsequent Events

On January 3, 2019 the Company issued 222,000 common shares at a price of $0.02 for proceeds of $4,440, which has been received at December 31, 2018 and recorded as subscriptions received.

On March 5, 2019 the Company completed a non-brokered offering of 40,470,000 common shares for gross proceeds of $1,011,750. Proceeds of $1,000,000 raised by the Company, less certain advisory fees of $42,240 will be held in escrow pending completion of the reverse takeover transaction (see Note 1). The advisors will also be granted compensation options entitling the advisors to purchase that number of units of the resulting issuer equal to 6% of the aggregate number of common shares issued by the Company under the non-brokered offering with an exercise price per option that is equal to $0.25 per resulting issuer share, subject to any necessary adjustments. The resulting issuer compensation options shall have a term of 24 months following the date of issuance.

The Company advanced loans to Medcolcanna in the amount of $330,000 on Feb 25, 2019 and $250,000 on April 1, 2019 for operating expenses.