OSOYOOS CANNABIS INC.

(formerly LKP Solutions Inc.)

Consolidated Financial Statements

April 30, 2020

Amended and Restated

OSOYOOS CANNABIS INC.
(formerly LKP Solutions Inc.)

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Amended and Restated

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Osoyoos Cannabis Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Osoyoos Cannabis Inc. (the "Company"), which comprise the consolidated statements of financial position as at April 30, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows, for the years ended April 30, 2020 and 2019; and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2020 and 2019, and its financial performance and its cash flows for the year ended April 30, 2020, and 2019 in accordance with International Financial Reporting Standards.

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 *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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's Discussion and Analysis report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated 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 consolidated 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 in this auditor's 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 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements.

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 Mickey Goldstein.

Buckley Dodds LLP

Vancouver, British Columbia
July 14, 2020

Buckley Dodds LLP
Chartered Professional Accountants

Osoyoos Cannabis Inc.
(formerly LKP Solutions Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
Amended and Restated

	Notes		As at April 30 2020		As at April 30 2019
Assets					
Current assets:					
Cash and cash equivalents		$	612,788	$	1,622,730
GST and HST receivable			53,474		301,424
Deferred costs	7		20,000		-
Prepaid expenses			41,125		50,000
Due from related party	10		18,500		18,500
			745,887		1,992,654
Property and equipment	5		2,154,911		2,050,842
Right-of-use asset	13		370,178		-
Rental deposit	12		64,817		64,817
Total assets		$	3,335,793	$	4,108,313
Liabilities and shareholders' deficiency					
Current liabilities:					
Accounts payable and accrued liabilities	6, 10	$	183,539	$	235,356
Accrued interest payable			59,097		52,939
Lease obligation	14		110,916		-
Loan payable	7		125,000		174,166
			478,552		462,461
Loan payable	7		-		696,664
Lease obligation	14		296,796		-
Convertible debentures	8		426,196		311,107
Total liabilities			1,201,544		1,470,232
Shareholders' equity					
Capital Stock	9		7,725,860		7,556,860
Contributed surplus			281,816		281,816
Warrant reserve			623,521		623,521
Share-based payment reserve			1,145,753		1,145,753
Convertible debentures	8		94,304		94,304
Accumulated deficit			(7,737,005)		(7,064,173)
Total shareholders' equity			2,134,249		2,638,081
Total liabilities and shareholders' equity		$	3,335,793	$	4,108,313

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Approved by the Board of Directors on July 9, 2020

"Graham Simmonds", Director   "Gerry Goldberg", Director

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

Osoyoos Cannabis Inc.
(formerly LKP Solutions Inc.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
Amended and Restated

	Notes	Year ended April 30, 2020	Year ended April 30, 2019
Expenses			
Advertising and promotion		$ 2,025	$ 7,405
Accretion	7, 8	211,461	295,983
Amortization of right-to-use asset		111,053	-
Consulting fees	10	120,521	69,547
Contract fees		169,981	34,044
Development costs		18,401	15,990
Insurance		91,380	57,595
Interest expense		109,728	383,141
Investor relations		-	122,640
Loss on repayment of convertible debentures		-	47,676
Management fees	10	272,500	442,025
Office and administration	10	19,197	33,961
Professional fees		144,587	224,739
Share-based compensation	9, 10	-	554,836
Transfer agent and regulatory fees		19,969	40,586
Travel		13,029	13,123
Rent		-	84,278
		(1,303,832)	(2,427,569)
Gain on restructuring of debt	7	645,000	-
Loss from issuance of shares	9	(14,000)	-
Loss from acquisition of subsidiary	4	-	(2,506,076)
Net loss and comprehensive loss for the year		$ (672,832)	$ (4,933,645)
Loss per share			
Loss per common share: Basic and diluted		$ (0.02)	$ (0.18)
Weighted average number of common shares outstanding: Basic and diluted		35,888,189	27,475,722

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

Osoyoos Cannabis Inc.
(formerly LKP Solutions Inc.)
Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
Amended and Restated

	Number of common shares outstanding	Share capital	Contributed Surplus	Warrant reserve	Subscription received in advance	Share-based payment reserve	Convertible debentures	Deficit	Total
Balance as of April 30, 2018	23,706,283	$ 4,831,066	$ -	$ 623,521	$ 146,955	$ 590,917	$ 105,190	$ (2,130,528)	$ 4,167,121
Contributed surplus on debt discount	-	-	281,816	-	-	-	-	-	281,816
Issue of shares for subscriptions (Note 9)	326,556	146,955	-	-	(146,955)	-	-	-	-
Repricing of 1,000,000 founder shares	-	5,000	-	-	-	-	-	-	5,000
Shares for finders' fees (Note 9)	139,522	-	-	-	-	-	-	-	-
Repayment of convertible debentures	-	-	-	-	-	-	(10,886)	-	(10,886)
Reverse takeover of subsidiary (Note 9)	6,662,796	1,998,839	-	-	-		-		1,998,839
Share based compensation	-	-	-	-	-	554,836	-	-	554,836
Shares issued for interest (Note 9)	335,000	50,000	-	-	-	-	-	-	50,000
Shares issued on conversion of debentures (Note 9)	3,500,000	525,000	-	-	-	-	-	-	525,000
Net loss for the year	-	-	-	-	-	-	-	(4,933,645)	(4,933,645)
Balance as at April 30, 2019	**34,670,157**	**$ 7,556,860**	**$ 281,816**	**$ 623,521**	**$ -**	**$ 1,145,753**	**$ 94,304**	**$ (7,064,173)**	**$ 2,638,081**
Shares issued for debt settlement (Note 9)	125,000	25,000	-	-	-	-	-	-	25,000
Shares issued for interest (Note 9)	166,667	25,000	-	-	-	-	-	-	25,000
Shares issued for debt settlement (Note 7 and 9)	1,500,000	105,000	-	-	-	-	-	-	105,000
Shares issued for prior obligation (Note 9)	220,000	14,000-	-	-	-	-	-	-	14,000
Net loss for the year	-	-	-	-	-	-	-	(672,832)	(672,832)
Balance as at April 30, 2020	**36,681,824**	**$ 7,725,860**	**$ 281,816**	**$ 623,521**	**$ -**	**$ 1,145,753**	**$ 94,304**	**$ (7,737,005)**	$ 2,134,249

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

Osoyoos Cannabis Inc.
(formerly LKP Solutions Inc.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
Amended and Restated

		Year ended April 30, 2020		Year ended April 30, 2019
Cash flows from operating activities				
Net loss for the period	$	(672,832)	$	(4,933,645)
Adjustments to reconcile loss to net cash used in operating activities:				
Share-based compensation		-		554,836
Loss from acquisition of subsidiary		-		2,506,076
Accretion on notes and convertible debentures		167,130		295,983
Amortization of finance fees		82,129		289,796
Accretion on lease obligation		44,331		-
Amortization of right-to-use asset		111,053		-
Gain on restructuring the debt		(645,000)		-
Accrued interest		50,000		3,875
Shares issued for interest		25,000		50,000
Loss on issuance of shares		14,000		-
Loss on repayment of debenture debts		-		47,676
GST and HST receivable		247,950		(199,455)
Prepaid expenses		19,588		20,345
Accounts payable and accrued liabilities		4,901		46,054
Total cash used in operating activities		(551,750)		(1,318,459)
Cash flows from investing activities				
Property and equipment		(204,629)		(1,950,342)
Rental deposit		-		(64,817)
Lease obligation expense		(128,563)		-
Cash acquired on acquisition of subsidiary		-		1,757
Total cash used in investing activities		(333,192)		(2,013,402)
Cash flows from financing activities				
Cash received on re-pricing of shares		-		5,000
Repayment of debt		(125,000)		-
Cash returned for subscriptions received in advance		-		(35,015)
Convertible debentures repaid in cash		-		(105,000)
Due to related parties		-		(151,128)
Total cash used in financing activities		(125,000)		(286,143)
Total decrease in cash and cash equivalents during the year		(1,009,942)		(3,618,004)
Cash and cash equivalents- beginning of year		1,622,730		5,240,734
Cash and cash equivalents- end of year	$	612,788	$	1,622,730
Cash (paid) received for				
Interest	$	(18,842)	$	(52,500)
Taxes	$	-	$	-
Cash and cash equivalents consist of:				
Cash	$	269,112	$	34,123
Cash equivalents	$	343,676	$	1,588,607

For supplemental disclosure with respect to cash flows, see Note 16.

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

1. NATURE OF OPERATIONS AND GOING CONCERN

LKP Solutions Inc. ("LKP") was incorporated as Red Ore Gold Inc. under the laws of the Province of British Columbia by Articles of Incorporation dated January 13, 2011.

Effective October 31, 2018, LKP was part of a three-cornered amalgamation among LKP, 1160516 B.C. Ltd. (a wholly owned subsidiary of LKP) and former Osoyoos Cannabis Inc. ("OSO"). The result of the transactions was that LKP acquired all of the issued and outstanding securities of former OSO on the basis of one share of LKP for each share of former OSO. At completion of the transactions, LKP changed its name to Osoyoos Cannabis Inc. (the "Company") and the former OSO was amalgamated into 1160516 B.C. Ltd. During the year ended April 30, 2018, the former OSO purchased all of the issued and outstanding shares of Bare Root Production Osoyoos Inc. ("BRPO"). BRPO was incorporated under the laws of British Columbia by articles of incorporation dated February 25, 2017. As a result of this purchase, BRPO is a wholly owned subsidiary of 1160516 B.C. Ltd as at April 30, 2019 and 2018.

The business of the Company is for the research of, propagation and growth of, harvesting and marketing of medical cannabis.

The office of the Company is located at #703 – 45 Shepherd Ave East, Toronto, Ontario.

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business, for the next fiscal year. At April 30, 2020 the Company had cash and cash equivalents of $612,788 (April 30, 2019 - $1,622,730), working capital of $267,335 (April 30, 2019 - $1,530,193), and an accumulated deficit of $7,737,005 (April 30, 2019 - $7,064,173). The continuing operations of the Company are dependent on funding provided by equity investors. The Company intends to finance its future requirements through a combination of debt and/or equity issuance. There is no assurance that the Company will be able to obtain such financings or obtain them on favorable terms. This uncertainty may cast significant doubt about the ability of the Company to continue as a going concern. These consolidated financial statements do not include any adjustments to the carrying value or presentation of assets or liabilities that might be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

2. BASIS OF PRESENTATION

Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for certain cash flow information. The functional currency of the Company and its subsidiaries is the Canadian dollar, which is also the Company's reporting currency.

2. BASIS OF PRESENTATION (continued)

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 1, "Presentation of Consolidated Financial Statements" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary 1160516 B.C. Ltd from the date of acquisition on October 31, 2018, which in turn owns all of the issued and outstanding shares of BRPO for the date of acquisition on August 23, 2017. All inter-company transactions and balances have been eliminated on consolidation.

Significant accounting judgments and estimates

The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities, shareholders' equity, and the disclosure of contingent assets and liabilities, as at the date of the financial statements, and expenses for the periods reported.

Critical Judgements

The preparation of these consolidated financial statements requires management to make judgements regarding the going concern of the Company, as previously discussed in Note 1, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries has been determined to be the Canadian dollar.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the consolidated financial statements include:

2. BASIS OF PRESENTATION (continued)

Significant accounting judgments and estimates (continued)

Key Sources of Estimation Uncertainty (continued)

Share-based Payments

Estimating fair value for granted stock options and compensatory warrants requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option or warrant, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

Discount rates used in convertible debentures

The Company calculates the liability portion of convertible debentures by calculating the present value of the loan and related interest, using a discount rate equal to the market rate that would be given for similar debt, without a conversion feature. Management determines this rate by assessing what rate the Company could borrow funds at from an unrelated party.

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets and liabilities will not be realized. The ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

Carrying values of tangible assets

The Company assesses the carrying value of its tangible assets annually or more frequently if warranted by a change in circumstances. If it is determined that carrying values of assets cannot be recovered, the unrecoverable amounts are charged against current earnings. Recoverability is dependent upon assumption and judgements regarding market conditions, costs of operations and sustaining capital requirements. Other assumptions used in the calculation of recoverable amounts are discount rates, and future cash flows. A material change in the assumptions may significantly impact the potential impairment of these assets.

2. BASIS OF PRESENTATION (continued)

Significant accounting judgments and estimates (continued)

Key Sources of Estimation Uncertainty (continued)

Leases

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as store profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment of the lease term is reviewed if a significant event or a significant change in circumstance occurs, which affects this assessment and that is within the control of the lessee. The Company estimates the incremental borrowing rate used to measure our lease liability for each lease contract. This includes estimation in determining the asset-specific security impact.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Approval of the consolidated financial statements

These consolidated financial statements were authorized for issuance by the Board of Directors on July 14, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Cash and cash equivalents

Cash and cash equivalents comprise of cash held at banks, credit unions, amounts held in trust, and amounts held in term deposits, which are readily convertible into known amounts of cash and subject to insignificant risk of changes in value. The Company's cash and cash equivalents are invested with major financial institutions in business accounts. The Company does not invest in any asset-backed deposits or investments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax on profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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 are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net loss. Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net loss. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of such financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net loss or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Loss per share

Loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company grants stock options and warrants to buy common shares of the Company to directors, officers, employees and service providers. The Company recognizes share-based compensation expense based on the estimated fair value of the options and warrants. A fair value measurement is made for each vesting instalment within each option grant and is determined using the Black-Scholes option-pricing model. The fair value of the options and warrants is recognized over the vesting period of the options granted as both share-based compensation expense and reserves. This includes a forfeiture estimate, which is revised for actual forfeitures in subsequent periods. The reserves account is subsequently reduced if the options and warrants are exercised and the amount initially recorded is then credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the goods or services received.

Fair value of warrants

The Company measures the fair value of warrants issued from financings using the residual value method. When warrants are issued, the fair value is recorded in the warrant reserve, with the corresponding entry to share capital. When warrants are exercised, their fair value is removed from the warrant reserve account and recorded as share capital.

Property and equipment:

Property and equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The cost of the item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of loss and comprehensive loss. The cost of repairs and maintenance is expensed as incurred. Amortization is not recognized until the asset is in use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

(i) Accounting policy

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

(a) Classification and measurement of financial assets

Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost ("AMC"), based on the business model for managing the financial instruments and the contractual cash flow characteristics of the instrument.

(b) Debt instruments

On initial recognition, all debt instruments, are classified based on:

- The business model under which the asset is held; and
- The contractual cash flow characteristics of the financial instrument.

Business model assessment

Business model assessment involves determining whether financial assets are held and managed by the Company for generating and collecting contractual cash flows, selling the financial assets or both. The Company assesses the business model at a portfolio level using judgment and is supported by relevant objective evidence including:

- how the performance of the asset is evaluated and reported to the Company's management;
- the frequency, volume, reason and timing of sales in prior periods and expectations about future sales activity;
- whether the assets are held for trading purposes i.e., assets that are acquired by the Company principally for the purpose of selling or repurchase in the near term, or held as part of a portfolio that is managed together for short-term profits; and
- the risks that affect the performance of assets held within a business model and how those risks are managed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement, i.e. if they represent cash flows that are solely payments of principal and interest ("SPPI").

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains any contractual terms that could change the timing or amount of contractual cash flows such that the financial asset would not meet the SPPI criteria.

In making the assessment the Company considers:
- contingent events that would change the amount and/or timing of cash flows;
- leverage features;
- prepayment and extension terms;
- associated penalties relating to prepayments;
- terms that limit the Company's claim to cash flows from specified assets; and
- features that modify consideration of the time value of money.

Debt instruments measured at AMC

Debt instruments are measured at AMC using the effective interest rate, if they are held within a business model whose objective is to hold the financial asset for collecting contractual cash flows where those cash flows represent SPPI. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. AMC is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization of these deferred costs is included in interest income in the consolidated statements of loss and comprehensive loss.

Impairment on debt instruments measured at AMC is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses ("ACL") in the consolidated statements of financial position.

There are no debt instruments measured at FVTOCI or at FVTPL as of and during the years ended April 30, 2020 and 2019.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Equity instruments

Equity instruments are measured at FVTPL, unless they are not held for trading purposes and an irrevocable election is made to designate these instruments at FVOCI upon initial recognition. The measurement election is made on an instrument-by-instrument basis. Changes in fair value are recognized as part of investments income in the consolidated statements of loss and comprehensive loss for equity instruments measured as at FVTPL.

(iii) Financial assets and liabilities designated at FVTPL

Financial assets and financial liabilities classified in this category are those that have been designated by the Company on initial recognition. Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise. Financial liabilities are designated at FVTPL when one of the following criteria is met:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial assets and financial liabilities designated at FVTPL are recorded in the consolidated statements of financial position at fair value. For assets designated at FVTPL, changes in fair values are recognized in other income in the consolidated statements of loss and comprehensive loss. For liabilities designated at FVPTL, all changes in fair value are recognized in other income in the consolidated statements of loss and comprehensive loss, except for changes in fair value arising from changes in the Company's own credit risk are recognized in OCI and are not subsequently reclassified to the consolidated statements of loss and comprehensive loss upon derecognition /extinguishment of the liabilities.

(c) Derecognition

(i) 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 recognized in the consolidated statements of loss and comprehensive loss.

(ii) 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 consolidated statements of loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards adopted

(a) Leases and right-of-use assets

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

At May 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations.

All leases are accounted for by recognizing a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

-Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

The Company adopted this standard and the impact on the Company's unaudited condensed interim consolidated financial statements are disclosed in note 13 and 14.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards adopted (continued)

(b) Uncertainty over Income Tax Treatments: On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after May 1, 2019. The Company adopted this standard at May 1, 2019 and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

Other accounting standards and amendments to existing accounting standards that have been issued and have future effective dates are not applicable or are not expected to have a significant impact on the Company's financial statements.

4. ACQUISITIONS

During the year ended April 30, 2019, the Company completed the following acquisition:

Effective October 31, 2018 the Company was part of a three-cornered amalgamation among the Company, 1160516 B.C. Ltd. (a wholly owned subsidiary of LKP) and LKP. The result of the transactions was that LKP acquired all of the issued and outstanding securities of former OSO on the basis of one share of LKP for each share of former OSO. All outstanding warrants to purchase former OSO shares were exchanged, on an equivalent basis, for warrants to purchase shares of the Company. At completion of the transactions, LKP changed its name to Osoyoos Cannabis Inc. and former OSO was amalgamated into 1160516 B.C. Ltd.

Under IFRS, this was considered to be a Reverse Merger and Recapitalization (commonly referred to as a Reverse Take Over or "RTO").

The Company issued 6,662,796 shares to the shareholders of former OSO valued at $0.30 per share, with a total value of $1,998,839 for the acquisition.

The fair value of the acquired assets and liabilities assumed is as follows:

Assets acquired by the Company:		
Cash	$	1,757
Accounts receivable		17,340
Liabilities assumed by the Company:		
Accounts payable		(40,800)
Amount due to related party		(450,519)
Share subscriptions received in advance		(35,015)
Net liabilities assumed		(507,237)
Fair value of issued		(1,998,839)
Loss on acquisition	$	(2,506,076)

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	Equipment *	Leasehold improvements **	Total
Cost			
Balance at April 30, 2018	$ -	$ -	$ -
Additions	2,011,200	39,642	2,050,842
Balance at April 30, 2019	2,011,200	39,642	2,050,842
Additions	-	104,069	104,069
Balance at April 30, 2020	2,011,200	143,711	2,154,911
Net Book Value			
Balance, April 30, 2020	**$ 2,011,200**	**$ 143,711**	**$ 2,154,911**
Balance, April 30, 2019	$ 2,011,200	$ 39,642	$ 2,050,842

*No amortization has been taken on these assets, as they are not yet in use by the Company
** The leasehold improvements are in progress and will be amortized when completed

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are broken down as follows:

	April 30, 2020	April 30, 2019
Accounts payable	$ 92,840	$ 70,070
Accrued liabilities	90,699	64,726
Payable on equipment	-	100,560
Total accounts payable and accrued liabilities	$ 183,539	$ 235,356

7. LOAN PAYABLE

The loan payable to the former CEO arises from the surrender of shares and was unsecured and non-interest bearing with a due date of March 15, 2020. Effective May 1, 2018, the loan was discounted to fair value of $718,184 using market rate. The loan was to be accreted to fair value over the term of the loan. On May 23, 2019, the Company secured extended and improved terms of the loan note initially payable on March 15, 2020. The principal amount of one million dollars ($1,000,000), negotiated as part of a capital restructuring of the Company in March 2018, would bear a simple interest rate of 5% p.a. and be payable in five equal annual installments. Additionally, subject to terms and conditions of an escrow agreement and all regulatory and exchange approvals, the Company issued to the lender 125,000 common shares valued at $25,000, with 25,000 vesting immediately and 20,000 common shares vesting on each of the five anniversary dates beginning on March 15, 2020. The finance cost of $25,000 has been deferred to be amortized over the period of the loan. During the year ended April 30, 2020, the Company expensed $5,000 as interest expense, and $20,000 remains in deferred costs. The former CEO is no longer considered a related party.

At April 30, 2019 the carrying value of the loan was $1,000,000 less $129,170 of unamortized discount. The Company recorded accretion expense for $129,170 during the three- month period ended July 31, 2019.

On September 23, 2019, the Company announced final settlement of the debt of $1,000,000. The Company has issued the creditor 1,500,000 shares of the Company fair valued at $105,000, paid cash of $125,000 and executed a promissory note in the principal amount of $125,000, which accrues interest at 5% per annum and is due May 31, 2020. The settlement resulted in a gain on restructuring of debt in the amount of $645,000.

(Expressed in Canadian Dollars)

8. CONVERTIBLE DEBENTURES

During the period ended April 30, 2018, the Company issued $1,130,000 in convertible debentures. The debentures had a maturity of 3 years, carry an interest rate of 10%, which can be paid in cash or common shares at a price of $0.15. The debentures are convertible into common shares at $0.15 per share, at the discretion of the debenture holder. In connection with the debentures, the Company issued 7,533,530 common share purchase warrants, with each warrant exercisable at $0.20 for a period of 2 years. The warrants are considered to be transaction costs of the debentures and had a fair value of $623,521 calculated using the Black-Scholes pricing model with volatility of 120% and an interest rate of 1.41%. Of this amount, $144,116 was allocated to the equity component of the convertible debenture, with the remaining amount allocated to the liability portion, to be amortized over the term of the notes. In addition, 342,500 common shares valued at $51,375 were issued to the holders of the debentures and recorded as transaction costs. Of the $51,375 transaction costs, $11,875 was recorded as a cost of issuing the equity, with the remainder recorded against the liability portion of the notes and will be amortized over the term of the notes. During the year ended April 30, 2020 the Company expensed interest expense of $50,000 (April 30, 2019 -$104,199) for these notes. At the option of the debenture holder, the interest can be paid in cash or in shares at a value of $0.15 per share.

On May 10, 2018 the Company repaid certain debentures with a face value of $105,000 and a carrying value of $46,438, resulting in a loss on repayment of $47,676 and a reduction in equity in debentures of $10,886.

On April 25, 2019, convertible debenture holders of face value of $525,000 opted to convert their debt into equity at $0.15 per common share. The Company issued 3,500,000 common shares.

During the year ended April 30, 2020, the company issued 166,667 shares to settle $25,000 of accrued interest on these convertible debentures.

As at April 30, 2020 the Company's convertible notes were as follows:

		Equity component of convertible debenture		**Liability portion of convertible debenture**		**Total**
Balance as of April 30, 2018		105,190	$	449,412	$	554,602
Repayment of debentures		(10,886)		(46,438)		(57,324)
Conversion of debentures to shares		-		(525,000)		(525,000)
Amortization of finance costs		-		289,796		289,796
Accretion		-		143,337		143,337
Balance, April 30, 2019	**$**	**94,304**	**$**	**311,107**	**$**	**405,411**
Amortization of finance costs		-		77,129		77,129
Accretion		-		37,960		37,960
Balance, April 30, 2020	**$**	**94,304**	**$**	**426,196**	**$**	**520,500**

9. CAPITAL STOCK

The Company is authorized to issue the following shares:

- Unlimited Class "A" voting common shares with no par value
- Unlimited Class "B" non-voting preferred shares with a par value of $1.00
- Unlimited Class "C" voting common shares with no par value

a) Common shares

The holders of common shares are entitled to receive dividends which are declared from time to time and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

At April 30, 2020, the Company has 36,681,824 class A common shares issued and outstanding.

b) Preferred shares

The Company is authorized to issue an unlimited number of preferred shares with the rights, privileges and restrictions determined by the Board of Directors at the time of issuance.

There were no issuances of preferred shares during the years ended April 30, 2020 and April 30, 2019.

c) Share issuances

During the year ended April 30, 2020, the Company had the following share issuances:

- On May 23, 2019, the Company issued 125,000 common shares valued at $25,000 to the former CEO as a deferred finance fee for the loan settlement (Note 7)
- On August 15, 2019, the Company issued 166,667 shares to repay interest accrued for $25,000 on convertible debentures. (Note 8)
- On September 23, 2019, the Company issued 1,500,000 common shares valued at $105,000 to the former CEO for loan settlement (Note 7)
- During the year ended April 30, 2020, the Company's current management became aware of a situation where in a prior year, under the Company's old management, certain shareholders had subscribed for 220,000 common shares, which had not been issued. The Company rectified the situation by issuing 220,000 units valued at $14,000. Each unit consists of one common share, and one common share purchase warrant exercisable at $0.50 per share for a period of 2 years. As a result of the unit issuance, the Company recorded a loss of the same amount.

(Expressed in Canadian Dollars)

9 CAPITAL STOCK (continued)

c) Share issuances (continued)

During the year ended April 30, 2019, the Company had the following share issuances:

- The Company issued 326,566 shares for share proceeds of $146,955 received in advance. The Company also issued 139,522 shares for finders' fees.
- On July 10, 2018, the Company repriced 1,000,000 founders' shares (previously recognized at $4) to $0.005 per share for additional proceeds of $5,000. This brought the price of the shares into alignment with requirements of the Canadian Stock Exchange
- On January 8, 2019, the Company issued 335,000 shares to repay interest accrued for $50,000 on convertible debentures.
- On April 25, 2019, the subscribers to $525,000 of the convertible debentures converted their debt to 3,500,000 common shares at $0.15 per share.
- The Company issued 6,662,796 shares in connection with the acquisition. (Note 4).

d) Warrants

During the year ended April 30, 2019, and concurrent with the completion of RTO, the Company issued to directors as compensation, 1,100,000 warrants exercisable at $0.45 until March 14, 2023.

As part of the amalgamation, all outstanding warrants (663,400 warrants) to purchase OSO shares were exchanged, on an equivalent basis, for warrants to purchase OSO (formerly LKP) shares

On April 9, 2019, the Company granted an aggregate of 775,000 5-year cashless warrants as executive compensation to the COO, the CEO and a member of the board. 575,000 of the cashless warrants have an exercise price of $0.25 and the balance at $0.45.

On October 22, 2019, the Company issued 20,000 warrants being a settlement with a shareholder regarding warrant issuance relating to a prior year subscription, for which warrants were not issued. These warrants are exercisable at $0.50 until October 21, 2021.

On January 6, 2020, the Company issued 200,000 warrants being settlement with a shareholder regarding warrant issuance relating to a prior year subscription, for which warrants were not issued. These warrants are exercisable at $0.50 until January 5, 2022.

The following is a summary of changes in warrants:

	Number of Warrants	**Weighted Average Exercise Price**
Outstanding, April 30, 2018	31,863,201	$0.50
Issued	1,875,000	$0.39
Acquired form RTO (Note 4)	663,400	$0.37
Outstanding, April 30, 2019	34,401,601	$0.49
Issued	220,000	$0.50
Expired	(30,363,201)	$0.51
Outstanding, April 30, 2020	**4,258,400**	**$0.34**

(Expressed in Canadian Dollars)

9 CAPITAL STOCK (continued)

d) Warrants (continued)

As at April 30, 2020, the Company had the following share purchase warrants outstanding:

Outstanding	Exercise Price	Remaining Life (Years)	Expiry Date
80,400	$0.50	0.23	July 21, 2020
357,000	$0.25	0.42	October 1, 2020
226,000	$0.50	0.67	December 31, 2020
20,000	$0.50	1.50	October 21, 2021
200,000	$0.50	1.68	January 5, 2022
1,500,000	$0.25	2.87	March 14, 2023
1,100,000	$0.45	2.87	March 14, 2023
575,000	$0.25	3.95	April 8, 2024
200,000	$0.45	3.95	April 8, 2024
4,258,400	$0.34	2.63	

e) Stock options

At April 30, 2020 and 2019, there are no stock options outstanding

f) Share-based compensation

<u>During the year ended April 30, 2019:</u>

The Company recognizes compensation expense for all stock options and warrants granted as compensation using the fair value method of accounting. For the year ended April 30, 2019, the company recorded share-based compensation expense of $396,994 for 1,100,000 warrants issued to directors, and an additional $157,842 for 775,000 warrants issued to directors for a total compensation expense for $554,836 (Note 9d).

The Company calculated the fair value of warrants issued as compensation using the Black-Scholes option pricing model, for the 1,100,000 warrants with the following assumptions:

Expected life	4.4 years
Risk- free Interest rate	2.04%
Expected volatility	1 20%
Expected dividends yield	0%
Forfeiture rate	0%

The Company calculated the fair value of warrants issued as compensation using the Black-Scholes option pricing model, for the 775,000 warrants with the following assumptions:

Expected life	5 years
Risk- free Interest rate	2.04%
Expected volatility	1 20%
Expected dividends yield	0%
Forfeiture rate	0%

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

Related parties include key management personnel, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Key management of the Company are members of the Board of Directors, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO").

Transactions with key management personnel not disclosed elsewhere in the financial statements include the following:

During the year ended April 30, 2020, amounts paid for key management services include the following:

			April 30, 2020
Contract fees for interim CEO services*	$	87,500	
Contract fees for CEO services*		22,500	
Contract fees to CFO services		30,000	
Contract fees for executive chairman*		22,500	
Contract fees for COO services		110,000	
	$	$	272,500
Consulting fees paid to directors		-	113,565
	$		386,065

*On January 20, 2020, the Company announced that the board of directors accepted the resignation of Ernie Eves as a director of the Company and appointed Graham Simmonds, Tyler Devenyi and Larry Horwitz to serve as directors of the Company, all effective January 16, 2020. The Company also appointed Graham Simmonds to serve as the Company's new CEO, effective January 16, 2020. Gerry Goldberg, who previously served as Interim CEO and Executive Chairman, will continue to serve as the Company's Executive Chairman.

During the year ended April 30, 2019, amounts paid for key management services include the following:

				April 30, 2019
Management fees to a former CEO*	$	98,750		
Contract fee to former CFO	$	57,500		
Contract fees for CEO services	$	120,000		
Contract fees for CFO services	$	12,500		
Contract fee for COO services	$	55,000		
Contract fees to the corporate secretary	$	98,275		
Total Management fees			$	442,025
Consulting fees paid to a director				23,000
Share-based compensation from warrants issued				554,836
Office and rent expense paid to a former CEO				500
			$	1,020,361

* Includes severance expense for $45,000

10. RELATED PARTY TRANSACTIONS (continued)

As at April 30, 2020, the Company had the following balances with related parties:

- Included in due from related parties is $18,500 (April 30, 2019: $18,500) owed by a former CEO and director of the Company.
- Included in accounts payable and accrued liabilities is $28,881 (April 30, 2019: $11,300) due to related parties.

Amounts due to and from related parties are non-interest bearing with no terms of repayment, other than the note payable as discussed in Note 7.

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, due from related party, rental deposit, accounts payable, loan payable, and convertible debentures.

The Company's cash and cash equivalents is measured at fair value under the fair value hierarchy based on level one quoted prices in active markets for identical assets or liabilities. The presentation of the Company's due from related party and accounts payable is fair value, taking into account their short-term nature. The fair value of the Company's rental deposit approximates its fair value. The fair value of convertible debentures and the loan payable are measured on the statement of financial position using level 3 of the fair value hierarchy.

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

Financial risk management and objectives

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including interest rate risk, foreign currency risk, and commodity price risk).

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. Where material, these risks are reviewed and monitored by the Board of Directors.

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

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is not exposed to significant credit risk.

11. FINANCIAL INSTRUMENTS (continued)

Financial risk management and objectives (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flows primarily from its financing activities.

The Company manages its liquidity needs by carefully monitoring scheduled costs. Liquidity is measured in various time bands, on day to day and week-to-week basis, as well as on long term liquidity needs over 180 day to 360 day look out periods. Funding for long term liquidity needs is based on the ability of the Company to successfully complete private placements as well as, in certain cases, to pay the outstanding balances owed in shares of the Company rather than in cash.

As at April 30, 2020, the Company had cash and cash equivalents of $612,788 and current liabilities of $478,552.

The Company considers expected cash flow from financial assets in managing liquidity risk. The Company's existing cash resources currently do not meet the current cash outflow requirements. As a result, the Company is at a risk of not being a going concern if management is unable to raise the appropriate funds prior to the maturity of the financial liabilities. Appropriate going concern disclosures have been made in Note 1.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices, and foreign exchange rates.

(a) Interest rate risk

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

(b) Price risk

The Company is not exposed to significant price risk as it does not possess investments in publicly traded securities.

(c) Currency risk

The Company is not exposed to significant foreign exchange risk as all its operations are in Canada.

(Expressed in Canadian Dollars)

12. CONTINGENCIES AND COMMITMENTS

The Company's operations were governed by governmental laws and regulations regarding environmental protection. Environmental consequences are difficult to both predict and identify, in terms of level, impact or timeline. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations in effect. Restoration costs will be accrued in the financial statements only when they will be reasonably estimated and will be charged to the earnings at the time.

On September 1, 2018, the Company executed a lease on real property and paid a rental deposit of $64,817. The triple net lease expires on August 31, 2023, subject to a 5 year renewal option at fair value rent. In years 1 and 2, the monthly rent (including common area cost) is $10,714, for years 3 and 4 $11,581 and year 5 $12,449. The common area cost will be increased to reflect cost increases. The Company has the option to acquire the property for $1,500,000. The option may be exercised at the end of the initial lease term on giving prior notice of at least six (6) months prior to the end of the initial lease term.

13. RIGHT-OF-USE ASSET

IFRS 16 right of use asset recognition	$	481,231
Right -of-use asset at May 1, 2019		481,231
Amortization		(111,053)
Balance, April 30, 2020	**$**	**370,178**

Right-of-use asset consists of sub-lease for warehouse space amortized over 52 months.

14. LEASE LIABILITIES

At the commencement date of the leases, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10% which is the Company's incremental borrowing rate. The effective interest rate is 10.47%. The continuity of the lease liabilities is presented in the table below:

Balance, May 1, ,2019	$	481,231
Interest accretion expense		44,331
Lease payments prepaid		10,713
Lease payments made during the year		(128,563)
Balance, April 30, 2020	**$**	**407,712**

As at April 30, 2020:

Less than one year	$	110,916
Greater than one year		296,796
Total lease obligation	**$**	**407,712**

15. CAPITAL MANAGEMENT

The Company's capital structure has been defined by management as being comprised of shareholders' equity. The Company's objectives when managing its capital structure are to preserve the Company's access to capital markets and its ability to meet its financial obligations and to finance its activities and general corporate costs. This is achieved by the Board of Directors review and acceptance of budgets that are achievable within existing resources made available from private placements or other funding.

The Company monitors its capital structure using annual forecasted cash flows, budgets and targets.

The Company currently has no source of revenues; as such the Company is dependent upon external financing to fund its activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds 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.

Based on available funds, the Company manages its capital structure and makes adjustments to it to maintain flexibility while achieving the objectives stated above as well as support future business opportunities. To manage the capital structure the Company may adjust its operating expenditure plans, or issue new common shares and warrants.

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 not subject to externally imposed capital requirements or covenants.

16. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

The Company had the following non-cash transactions affecting cash flows from financing and investing activities during the year ended April 30, 2019:

- The Company issued 6,662,796 shares for the acquisition as discussed in Note 4.
- As at April 30, 2019, $100,560 on property and equipment additions are included in accounts payable and accrued liabilities.
- The Company issued 326,556 shares for $146,955 of subscriptions received in advance.
- The Company issued 3,500,000 shares for the settlement of convertible debentures of $525,000.

The Company had the following non-cash transactions affecting cash flows from financing and investing activities during the year ended April 30, 2020:

- The Company issued 1,500,000 shares valued at $105,000 for a debt settlement (Note 7).
- The Company issued 125,000 shares valued at $25,000 for a deferred finance fee (Note 7).
- The Company issued 166,667 shares valued at $25,000 for payment of accrued interest on convertible debentures (Note 8).
- The Company issued 220,000 units valued at $14,000 for the settlement of a prior share commitment. (Note 9).

(Expressed in Canadian Dollars)

17. INCOME TAXES

The following is a reconciliation of income taxes attributable to operations computed at the statutory tax rates to income tax recovery.

		April 30, 2020		April 30, 2019
Loss for the period	$	(672,832)	$	(4,933,645)
Tax rate		26%		26%
Expected income tax recoverable at statutory rate	$	(174,936)	$	(1,282,748)
Non-deductible items		25		796,048
Change due to acquisition, prior year tax return, and other		(50,557)		(477,691)
Change in unrecognized deductible temporary differences		225,468		964,391
Total income tax recovery	$	-	$	-

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

		April 30, 2020		April 30, 2019
Deferred Tax Assets				
Non-capital losses available for future period	$	1,664,206	$	1,343,433
Share issuance costs		63,596		95,394
Debt with accretion		19,189		82,696
		1,746,991		1,521,523
Unrecognized deferred tax assets		(1,746,991)		(1,521,523)
Total deferred tax assets	$	-	$	-

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

		April 30, 2020	Expiry Date		April 302019
Temporary Differences					
Share issuance costs	$	244,604	2041 – 2042	$	366,901
Debt with accretion	$	73,804	No expiry	$	318,063
Non-capital losses available for future period	$	6,400,793	2032 - 2040	$	5,167,051

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

18. SUBSEQUENT EVENTS

a) On April 21, 2020, the Company announced that the Company entered into an equipment lease (the “Equipment Lease”) and a joint-venture agreement (the “JV Agreement”) with 2623942 Ontario Limited (the “Licensed Producer”) commencing May 2020.

   Pursuant to the Equipment Lease, the Company has agreed to lease one of its Vitalis Q-180 Series extraction systems to the Licensed Producer to process their proprietary-grown biomass for a term of four years. The Company will receive up to $100,000 in cash upfront over the first 60 days of the lease and will receive monthly lease payments of approximately $17,750 (plus applicable taxes) for the remainder of the term. Provided that all payments have been made under the Equipment Lease, the Licensed Producer may at its option buyout the equipment at the end of the term for $1.

   The Company and the Licensed Producer have also entered into a five-year JV Agreement to offer third-party contract tolling extraction and processing services, effective May 1, 2020. Under the JV Agreement, the Company has agreed to provide use of its other Vitalis Q-180 Series extraction system to the joint-venture in exchange for 50% of the net profits derived from such tolling services, which is defined as revenues minus direct costs, which are to be mutually agreed to on a quarterly basis. The parties have also agreed to form a management committee to oversee the joint venture’s business plan, accounting, day-to-day operations and terms of processing contracts. Furthermore, the Company is guaranteed a monthly minimum rental payment and total minimum cumulative payments of $1.5 million under the JV Agreement.

b) On May 29, 2020, the Company granted options to its directors, officers and consultants to purchase up to 2,725,000 common shares. These options were issued at an exercise price of $0.10 per share and vest immediately. These options have a term of three (3) years expiring on May 28, 2023.

c) On June 1, 2020, the Company issued 100,000 warrants to a consultant for services to be provided over a period of 6 months. The warrants were issued at an exercise price of $0.10 and expire May 31, 2021.

d) On June 16, 2020, the Company announced that it proposes to complete a non-brokered private placement (the “Private Placement”) of up to 20,000,000 units of the Company (the “Units”), at a price of $0.05 per Unit, for gross proceeds of up to $1,000,000. Each Unit will consist of one common share of the Company (a “Common Share”) and one-half of one common share purchase warrant of the Company (a “Warrant”). Each full Warrant will entitle the holder to acquire one additional Common Share for a period of twenty-four months from the date of issuance (the “Expiry Date”) at a price of $0.15 per Common Share.

18. SUBSEQUENT EVENTS (continued)

Pursuant to a subscription agreement dated June 8, 2020 (the "Subscription Agreement"), the Company is pleased to announce that a Canadian institutional investor (the "Institutional Investor") is supporting the Company in completing the financing by subscribing for up to the entire amount of the Private Placement upon the Company satisfying certain mutually agreed corporate milestones. The Subscription Agreement provides for the Institutional Investor completing an initial tranche of $75,000 of the Private Placement within ten days and the remaining $925,000 in two additional equal tranches within ten days of the Company achieving mutually agreed corporate milestones. Furthermore, the Institutional Investor will be entitled to deduct from its commitment an amount equal to the aggregate gross proceeds that is raised by the Company pursuant to the Private Placement. On June 16, 2020, the Company closed the initial tranche of the Private Placement and issued 1,500,000 Units of Company, at a price of

$0.05 per Unit, for gross proceeds of $75,000. All Common Shares and Warrants sold under the Private Placement will be subject to a statutory four month and one day hold period.

e) On June 26, 2020, the Company announced that it agreed to acquire 100% of the shares (the "Acquisition") of 1196691 B.C. Ltd. d/b/a "PCAI Pharma" (the "Parent") the parent company that holds 100% of the shares of AI Pharmaceuticals Jamaica Limited ("AI Pharma"). AI Pharma is engaged in the research and development of cannabis (cannabinoids) and mushrooms (psilocin) based pharmaceutical, nutraceutical and cosmeceutical formulations and related intellectual property. In connection with the Acquisition, the Company has entered into a share purchase agreement (the "Share Purchase Agreement") dated June 26, 2020 between the Company, as purchaser, and the shareholders of the Parent, as vendors. Under the terms of the Share Purchase Agreement, the Company agreed to purchase from the vendors and the vendors agreed to sell to the Company all of the issued and outstanding shares (the "Parent Shares") of the Parent. In consideration for the Parent Shares, the Company agreed to pay to the vendors a purchase price of $2,520,000, to be satisfied by issuing to the vendors an aggregate of 36,000,000 common shares of the Company at a deemed price of $0.07 per share. The acquisition was completed in June 2020.

f) Since December 31, 2019, the break of the novel strain of coronavirus, specially 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 social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. 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 Corporation and its operating subsidiaries in future periods.

19. AMENDED AND RESTATED

These consolidated financial statements have been amended and restated to include the subsequent grant of 2,725,000 options on May 29, 2020, as disclosed in note 18 (b) .