

BEST CANNABIS PRODUCTS INC.

Balance Sheet as at June 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

	June 30, 2019	September 30, 2018 (Audited)
	(\$)	(\$)
ASSETS		
Current		
Cash	4,645	118
HST receivable	42,075	10,812
Prepaid asset	1,166	-
Other receivable (Note 7)	-	4,698
	47,866	15,628
Long-term		
Property, plant and equipment (Note 4)	6,676,767	6,614,322
TOTAL ASSETS	6,724,652	6,629,950
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	309,355	57,264
Loans payable (Note 5)	309,670	250,795
	619,024	308,059
Long-term		
Secured loan (Note 6)	4,900,000	5,300,000
	5,519,024	5,608,059
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	2,546,118	118
Contributed surplus (Note 8)	-	1,052,000
Deficit	(1,340,490)	(30,227)
	1,205,628	1,021,891
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,724,652	6,629,950

Nature of Operations and Going Concern (Note 1)

Approved by: "Brian Polla" (Director)

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

BEST CANNABIS PRODUCTS INC.

STATEMENT OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

(Unaudited)

	Three Month Period Ended June 30, 2019	Nine Month Period Ended June 30, 2019	Period from Incorporation (February 6, 2018) to September 30, 2018
EXPENSES			
Advertising and promotion	36,414	89,487	19,235
Travel	25,963	43,373	-
General and administrative	-	57,134	7,992
Consulting fees	-	1,109,000	-
Depreciation	396	-	-
Professional fees	-	2,000	3,000
Finance costs	3,558	8,875	-
	66,329	1,310,265	(30,227)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(66,329)	(1,310,265)	(30,227)
BASIC AND DILUTED LOSS PER SHARE	(0.00)	(0.01)	0.00
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	197,372,376	170,624,176	118,000,000

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

BEST CANNABIS PRODUCTS INC.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian dollars)

(Unaudited)

	Number of Shares	Share Capital (\$)	Contributed Surplus (\$)	Deficit (\$)	Total (\$)
Balance at February 6, 2018	-	-	-	-	-
Incorporation shares (Note 8)	118,000,000	118	-	-	118
SAFEs (Note 8)	-	-	1,052,000	-	1,052,000
Comprehensive loss for the period	-	-	-	(30,227)	(30,227)
Balance at September 30, 2018	118,000,000	118	1,052,000	(30,227)	1,021,891
SAFEs (Note 8)	-	-	385,000	-	385,000
Conversion of SAFEs	61,350,000	1,437,000	(1,437,000)	-	-
Shares issued to settle debt	55,450,000	1,109,000	-	-	1,109,000
Comprehensive loss for the period	-	-	-	(1,243,934)	(1,243,934)
Balance at March 31, 2019	234,800,000	2,546,118	-	(1,274,161)	1,271,957
Comprehensive loss for the period	-	-	-	(66,329)	(66,329)
Balance at June 30, 2019	234,800,000	2,546,118	-	(1,340,490)	1,205,628

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

BEST CANNABIS PRODUCTS INC.

STATEMENT OF CASH FLOWS

(Expressed in Canadian dollars)

(Unaudited)

	Nine Month Period Ended June 30, 2019 (\$)	Period from Incorporation (February 6, 2018) to September 30, 2018
OPERATING ACTIVITIES		
Loss for the period	(1,310,265)	(30,227)
Items not affecting cash:		
Finance expense	8,875	795
Changes in non-cash working capital items:		
HST receivable	(31,263)	(10,812)
Other receivable	4,698	(4,698)
Prepaid asset	(1,166)	
Accounts payable and accrued liabilities	252,091	57,265
Cash flows used in operating activities	(1,077,028)	12,322
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(62,445)	(6,614,322)
Cash flows used in investing activities	(62,445)	(6,614,322)
FINANCING ACTIVITIES		
Incorporation shares issued for cash	-	118
Shares issued for services	1,109,000	-
Proceeds from secured loan		5,800,000
Repayment of secured loan	(400,000)	(500,000)
Proceeds from loan payable	50,000	250,000
Repayment of loan payable		
Proceeds from SAFEs	385,000	1,052,000
Cash flows provided by financing activities	1,144,000	6,602,118
CHANGE IN CASH	4,527	118
CASH, BEGINNING OF PERIOD	118	-
CASH, END OF PERIOD	4,645	118

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

BEST CANNABIS PRODUCTS INC.

Notes to the Financial Statements

For the nine month period ended June 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Best Cannabis Products Inc. (the “Company”) was incorporated on February 6, 2018 under the Canada Business Corporations Act. The Company’s head office is located at 7110 Torbram Rd, Mississauga, ON, L4T 4B5. The Company’s principal business activity is to engage in the investment, production of and sale of cannabis upon making application and receiving the requisite licenses mandated under the Cannabis Act of Canada.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the period ended June 30, 2019, the Company incurred a net loss of \$1,310,265 and had a working capital deficit of \$571,139. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern. These financial statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments, if required, could be material.

2. BASIS OF PREPARATION

Statement of Compliance

The financial statements of the Company for the period ended June 30, 2019 have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, “IFRS”) as issued by the International Accounting Standards Board (“IASB”), in particular IAS 34, interim reporting, and interpretations of the International Financial Reporting Committee (“IFRIC”).

The financial statements were authorized for issue by the Board of Directors on July 15, 2019.

Basis of Presentation

The financial statements have been prepared on a historical cost basis, except for cash flow information.

The functional and presentation currency of the Company is the Canadian dollar.

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

BEST CANNABIS PRODUCTS INC.

Notes to the Financial Statements

For the nine month period ended June 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

2. BASIS OF PREPARATION (continued)

Significant Accounting Estimates and Judgments

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Significant estimates include the allocation of the purchase price for the land and green house.

Significant judgments are as follows:

(i) Going concern

The assessment of the Company's ability to execute its strategy by effectively operating the Company involves judgment. Management closely monitors the operations and cash flows in the Company. Further information regarding going concern is outlined in Note 1.

(ii) Income taxes

Management exercises judgment to determine the extent to which deferred tax assets are recoverable, and can therefore be recognized in the statements of financial position and comprehensive income or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company adopted all of the requirements of IFRS 9 – Financial Instruments (“IFRS 9”) as of June 1, 2018. IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

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

BEST CANNABIS PRODUCTS INC.

Notes to the Financial Statements

For the nine month period ended June 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments (continued)

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

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash is classified as FVTPL.

Impairment

An "expected credit loss" impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

BEST CANNABIS PRODUCTS INC.

Notes to the Financial Statements

For the nine month period ended June 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments (continued)

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities are classified as other financial liabilities and carried on the statement of financial position at amortized cost.

As at June 30, 2019, the Company does not have any derivative financial liabilities.

The following table summarizes the classification categories for the Company's financial assets and liabilities.

Financial Assets	IAS 39	IFRS 9
Cash	Held-for-trading (FVTPL)	FVTPL
Financial Liabilities	IAS 39	IFRS 9
Accounts payable and accrued liabilities	Other financial liabilities (Amortized cost)	Amortized cost
Loan Payable	Other financial liabilities (Amortized cost)	Amortized cost
Secured Loan	Other financial liabilities (Amortized cost)	Amortized cost

Share Capital

Common shares are classified as equity. Transaction and other incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

The Company issued Simple Agreements for Future Equity ("SAFE") arrangements during the period. After analyzing the nature of the instruments under IAS 32, management determined that the classification should be entirely to equity as the instruments have no cash settlement component and will only be settled in equity. The details of the different scenarios for equity issued to the SAFE holders can be found in note 8.

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

BEST CANNABIS PRODUCTS INC.

Notes to the Financial Statements

For the nine month period ended June 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-Financial Assets

At each reporting period the carrying amounts of the Company's non-financial assets, are reviewed for indicators of impairment. If indicators exist, the recoverable amount of the asset is estimated. Property, plant and equipment are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For purposes of assessing impairment, property, plant and equipment are grouped into cash generating units ("CGUs") defined as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows of other assets or groups of assets.

If the carrying amount exceeds the recoverable amount, the asset or CGU is recorded at its recoverable amount with the reduction recognized in net income (loss) as an impairment expense. The recoverable amount is the greater of the value in use or fair value less costs of disposal ("FVLCD"). Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs of disposal considers the continued development of a property and market transactions in a valuation model. The Company uses the present value of the cash generating unit's estimated future cash flows in its fair value model. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

Impairments are reversed in subsequent periods when there has been an increase in the recoverable amount of a previously impaired asset or CGU and these reversals are recognized in net income (loss). The recovery is limited to the original carrying amount less depreciation that would have been recorded had the asset not been impaired.

Loss per Share

Basic earnings/loss per share is computed by dividing the net income or loss by the weighted average number of shares outstanding during the year.

Diluted losses per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock.

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

BEST CANNABIS PRODUCTS INC.

Notes to the Financial Statements

For the nine month period ended June 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, Plant and Equipment

Property, plant and equipment comprise of a greenhouse which is being built for its intended use as of June 30, 2019, office equipment, furniture and fixtures, and tools required for creating a greenhouse capable of producing cannabis.

All items of property and equipment are initially recorded at cost. Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work-in-progress. Cost include expenditures that are directly attributable to the creation or acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are or are to be located. Borrowing costs for qualifying assets that are directly attributable to acquisition, construction or production of an asset are included in the cost of that asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income when incurred.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The periods generally applicable are as follows:

	Useful life
Computer equipment	20%, declining balance
Greenhouse	4%, declining balance
Greenhouse equipment	20%, declining balance

The residual value, depreciation method and the useful life of each asset are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

BEST CANNABIS PRODUCTS INC.

Notes to the Financial Statements

For the nine month period ended June 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fully depreciated property and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences:

- liabilities arising from initial recognition of goodwill for which amortization is not deductible for tax purposes;
- liabilities arising from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit; and
- liabilities arising from undistributed profits from investments where the entity is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

BEST CANNABIS PRODUCTS INC.

Notes to the Financial Statements

For the nine month period ended June 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

New Standards Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become mandatorily effective.

The following standard has been issued for annual periods beginning on or after January 1, 2019 but is not yet effective:

IFRS 16, Leases

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. This new standard replaces the existing leasing guidance in IAS 17, Leases.

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

BEST CANNABIS PRODUCTS INC.

Notes to the Financial Statements

For the nine month period ended June 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Standards Not Yet Effective (continued)

IFRS 16 distinguishes between leases and service contracts on the basis of whether the customer controls the asset being leased. For those contracts determined to meet the definition of a lease, IFRS 16 requires a lessee to recognize on the balance sheet a lease asset along with the associated lease liability which reflects future lease payments, similar to current finance lease accounting. There are limited exceptions for leases with a term of less than 12 months or leases of assets which have a very low value. As a result of the adoption of IFRS 16, operating leases which were previously only recognized on the statement of income (loss) will be recognized on the statement of financial position. The Company has not yet assessed the potential impact of the application of this standard.

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Property	Computer Equipment	Total
	(\$)	(\$)	(\$)	(\$)
Cost				
As at February 6, 2018	-	-	-	-
Additions	1,500,000	5,114,322	-	6,614,322
At September 30, 2018	1,500,000	5,114,322	-	6,614,322
Additions	-	15,827	-	15,827
At March 31, 2019	1,500,000	5,130,149	-	6,630,149
Additions	-	44,375	2,243	46,618
At June 30, 2019	1,500,000	5,174,524	2,243	6,676,767

The Company entered into a purchase and sale agreement (“PSA”) on April 12, 2018 to purchase land and a greenhouse in Leamington, Ontario for total proceeds of \$6,400,000. The proceeds are payable as follows:

- \$200,000 in cash on acceptance (Paid);
- \$400,000 in cash on July 13, 2018 (the “Completion date”) (Paid);
- \$5,800,000 pursuant to a secured loan under a vendor take back arrangement (Note 6).

The purchase price for the assets acquired under the PSA have been allocated pursuant to their relative fair values as at the date of acquisition, adjusted for the fair value of the secured loan.

As at June 30, 2019 no amortization was recognized as the property is not ready for its intended use.

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

BEST CANNABIS PRODUCTS INC.

Notes to the Financial Statements

For the nine month period ended June 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

5. LOANS PAYABLE

AGRA Loan

On September 1, 2018, the Company borrowed \$250,000 under an unsecured loan with AgraFlora Organics International Inc. that bears interest at 4% per annum and is repayable on or before September 1, 2019.

During the period ended June 30, 2019, the Company incurred \$7,604 in interest expense. At March 31, 2019, a total of \$258,398 of loan principal and accrued interest was outstanding.

BLOX Loan

On March 6, 2019, the Company borrowed \$50,000 under an unsecured loan with Blox Labs Inc. that bears interest at 8% per annum and is repayable on or before June 30, 2019. The parties subsequently agreed to extend the term of the loan indefinitely.

During the period ended June 30, 2019, the Company incurred \$1,271 in interest expense. At June 30, 2019, a total of \$51,271 of loan principal and accrued interest was outstanding.

6. SECURED LOAN

On July 13, 2018, the Company entered into a secured loan agreement for \$5,800,000 as part of a vendor take back arrangement in connection with the acquisition of land and a greenhouse in Leamington, Ontario (Note 4). The loan, which is secured by the land and greenhouse assets, bears no interest in the first year and at a rate of 12.5% in the remaining three years. Principal payments of \$500,000 are due August 13, 2018 and December 13, 2018, and the balance of the loan principal is due on July 13, 2023. Interest is repayable in monthly installments beginning in year two.

During the period ended June 30, 2019, the Company repaid \$400,000 in principal. At June 30, 2019, a total of \$4,900,000 of loan principal and accrued interest was outstanding.

7. RELATED PARTY TRANSACTIONS

Key management personnel included the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), and directors and officers and companies controlled or significantly influenced by them.

There was no key management compensation paid or accrued during the period ended June 30, 2019.

As at June 30, 2019, a total of \$285,318 (March 31, 2019 – 143,630, September 30, 2018 - \$5,878) was included in accounts payable and accrued liabilities owing to the CEO and other board members of the Company for reimbursable expenses. These liabilities are non-interest bearing and payable on demand.

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

BEST CANNABIS PRODUCTS INC.

Notes to the Financial Statements

For the nine month period ended June 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

7. RELATED PARTY TRANSACTIONS (continued)

As at March 31, 2019, a total of \$Nil (March 31, 2019 - \$51,956, September 30, 2018 - \$4,698) was owing from a corporation controlled by the CEO of the Company for a non-interest bearing cash advance that is repayable on demand.

8. SHARE CAPITAL

Authorized:

Unlimited number of Common shares without par value.

Unlimited number of Preferred shares without par value.

Issued

Six Month Period Ended March 31, 2019

The Company issued 55,450,000 common shares in settlement of \$1,109,000 of outstanding liabilities.

The Company issued 61,350,000 common shares upon the conversion of \$1,437,000 in outstanding SAFEs.

Year Ended September 30, 2018

The Company issued 118,000,000 common shares on incorporation for proceeds of \$118

SAFES

Nine Month Period Ended June 30, 2019

During the period ended June 30, 2019, the Company issued a Simple Agreement for Future Equity ("SAFE") to various investors for gross proceeds of \$385,000. The agreements allow holders to convert this instrument into common shares of the Company under different scenarios:

- a) Equity Financing: If the Company sells shares at a fixed pre-money valuation of \$20,000,000 or more generating gross proceeds of at least \$10,000,000, then investors will receive the number of shares equal to their subscription amount divided by the Conversion price (defined as the price per share equal to valuation cap of \$8,000,000 divided by the corporation capitalization) or price per share of shares sold multiplied by the 20% discount rate, whichever results in a greater number of shares.

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BEST CANNABIS PRODUCTS INC.

Notes to the Financial Statements

For the nine month period ended June 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

8. SHARE CAPITAL (continued)

- b) Liquidity Event: If there is a change in control or a closing of the Company's first commitment underwritten Initial Public Offering, then investors will receive shares equal to their subscription amount divided by the Liquidity Price.

Dissolution Event: If there is a voluntary termination of operations, general assignment for the benefit of the Company's creditors or any other liquidation, dissolution or winding up of the Company, then investors will receive an amount equal to their subscription amount in preference to any distribution of any assets of the Company to common shareholders.

If none of the above events occur, the agreements will terminate on February 28, 2019 and the Company will automatically issue to the investor the agreed upon number of shares equal to their subscription amount divided by the conversion price.

Period Ended September 30, 2018

During the period ended September 30, 2018, the Company issued a SAFE to various investors for gross proceeds of \$1,052,000.

9. CAPITAL MANAGEMENT

The Company considers its capital resources to be the shareholders' deficiency, comprising share capital and deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, and development of its cannabis business. 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 primarily dependent on external financing to fund its activities. In order to carry out the planned property development and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed using best efforts.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended March 31, 2019. The Company is not subject to externally imposed capital requirements.

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

BEST CANNABIS PRODUCTS INC.

Notes to the Financial Statements

For the nine month period ended June 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Risk Management

The Company classifies its other financial assets and other financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, other receivable, accounts payable and accrued liabilities, loan payable and secured loan.

The Company has classified its cash and other receivable as loans and receivables; and accounts payable and accrued liabilities, loan payable and secured loan as other financial liabilities. The fair value of cash, HST receivable, other receivable and accounts payable and accrued liabilities and loan payable approximate their book values because of the short-term nature of these instruments. The fair value of the secured loan was determined using the market interest rate which would be available to the Company at the balance sheet date.

Financial Instrument Risk Exposure

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

Credit risk

The Company's credit risk is primarily attributable to other receivable and HST receivable. The Company has minimal collection risk related to these receivables and expects to collect the outstanding receivables in the normal course of operations. At June 30, 2019, the maximum credit exposure is the carrying amount of the receivables totalling \$42,075 (March 31, 2019 - \$80,658)

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

BEST CANNABIS PRODUCTS INC.

Notes to the Financial Statements

For the nine month period ended June 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The Company has no significant concentration of credit risk arising from operations.

Market risk

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

Interest rate risk

The Company is not exposed to interest rate risk. The Company does not have significant variable interest bearing assets or liabilities that are tied into market rates.

Liquidity risk

The Company's approach to managing liquidity risk is to use its best efforts to have sufficient liquid capital to meet its current liabilities as they come due. At June 30, 2019, the Company had a working capital deficit of \$571,139 (March 31, 2019 - \$458,192)

11. INCOME TAXES

a) Provision for Income Taxes

A reconciliation of the combined income taxes at statutory rates and the Company's effective income tax expense is as follows:

	2019
	(\$)
Income (loss) for the period	(1,310,265)
Expected income tax expense (recovery) at 26%	(340,669)
Non-deductible expenditures	4,143
Change in unrecognized deductible temporary differences	336,526
Income tax expense (recovery)	-

b) Deferred Income Taxes

The Company's unused tax losses for which no deferred tax asset is recognized totals \$327,180.

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

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

BEST CANNABIS PRODUCTS INC.

Notes to the Financial Statements

For the nine month period ended June 30, 2019

(Expressed in Canadian dollars)

(Unaudited)

12. Subsequent Event

Subsequent to June 30, 2019 the Company received conditional approval from the CSE with its proposed merger with Blox Labs Inc. Pursuant to a definitive share exchange agreement executed on February 28, 2019, the Company's shareholders received 234,800,000 common shares of Blox Labs Inc. to acquire all of the issued and outstanding shares of the Company. The result of this reverse takeover transaction resulted in a change to the business of Blox Labs Inc. to the Hemp industry. This transaction closed on August 28, 2019.

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