ENDOCAN SOLUTIONS INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED OCTOBER 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Endocan Solutions Inc.

We have audited the accompanying consolidated financial statements of Endocan Solutions Inc. which comprise the consolidated statements of financial position as at October 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in deficiency and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Endocan Solutions Inc. as at October 31, 2018 and 2017, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Endocan Solutions Inc. to continue as a going concern.

CHARTERED PROFESSIONAL ACCOUNTANTS

Manning Elliott LLP

Vancouver, British Columbia
February 28, 2019

ENDOCAN SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT OCTOBER 31

	Note		2018		2017
ASSETS					
Current assets					
Cash		$	39,081	$	1,856
GST recoverable			22,908		19,580
Total assets		$	61,989	$	21,436
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current liabilities					
Accounts payable and accrued liabilities	4,5	$	681,612	$	611,767
Loans payable to related parties – current portion	5		38,183		34,640
			719,795		646,407
Non-current liability					
Loan payable to related parties	5		96,417		-
Total liabilities			816,212		646,407
Shareholders' deficiency					
Share capital	6		4,161,636		4,161,636
Contributed surplus	7		143,700		143,700
Deficit			(5,059,559)		(4,930,307)
Total shareholders' deficiency			(754,223)		(624,971)
Total liabilities and shareholders' deficiency		$	61,989	$	21,436

Nature of business and going concern (Note 1)

The consolidated financial statements were authorized for issue by the board of directors on February 28, 2019 and were signed on its behalf by:

"Bruce Clark" Director *"Christopher Hoffmeister"* Director

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

ENDOCAN SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
YEARS ENDED OCTOBER 31

	Note	2018	2017
EXPENSES			
Accounting and audit		$ 13,425	$ 3,200
Consulting		12,000	-
Legal fees		30,000	5,000
Loan interest	5	3,322	541
Management fees	5	60,000	220,000
Office and miscellaneous		425	261
Transfer agent and filing fees		38,233	8,548
Travel		5,609	-
		(163,014)	(237,550)
Other item			
Gain on extinguishment of accounts payables		33,762	-
Loss and comprehensive loss for the year		$ (129,252)	$ (237,550)
Basic and diluted loss per common share	6	$ (0.06)	$ (0.10)
Weighted average number of common shares outstanding		2,323,849	2,323,849

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

ENDOCAN SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY

	Note	Number of Shares		Share capital		Contributed surplus		Deficit		Total
Balance, October 31, 2017		2,323,849	$	4,161,636	$	143,700	$	(4,930,307)	$	(624,971)
Loss for the year		-		-		-		(129,252)		(129,252)
Balance, October 31, 2018		2,323,849	$	4,161,636	$	143,700	$	(5,059,559)	$	(754,223)

	Note	Number of Shares		Share capital		Contributed surplus		Deficit		Total
Balance, October 31, 2016		2,323,849	$	4,161,636	$	143,700	$	(4,692,757)	$	(387,421)
Loss for the year		-		-		-		(237,550)		(237,550)
Balance, October 31, 2017		2,323,849	$	4,161,636	$	143,700	$	(4,930,307)	$	(624,971)

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

ENDOCAN SOLUTIONS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		$ (129,252)	$ (237,550)
Items not affecting cash:			
Loan interest		3,322	540
Gain on extinguishment of accounts payables		(33,762)	-
Changes in non-cash working capital items:			
GST recoverable		(3,328)	(8,813)
Accounts payable and accrued liabilities		103,607	215,185
Net cash used in operating activities		(59,413)	(30,638)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on related party loan		(2,112)	-
Repayment of related party loan		(32,000)	-
Proceeds from related party loans		130,750	32,000
Net cash provided by financing activities		96,638	32,000
Change in cash during the year		37,225	1,362
Cash, beginning of the year		1,856	494
Cash, end of the year		$ 39,081	$ 1,856

There were no income taxes paid in cash. There were no significant non-cash transactions during the years ended October 31, 2018 and 2017.

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

1. NATURE OF BUSINESS AND GOING CONCERN

Endocan Solutions Inc. (the "Company") was incorporated on May 11, 2011 under the laws of British Columbia, Canada and maintains its head office at 14th Floor – 1050 West Georgia Street, Vancouver, B.C. V6E 4H8. The Company is engaged in the acquisition of companies and assets in the medical marijuana sector with a view to ultimately having multiple subsidiaries that are licensed producers. The Company was listed on the Canadian Securities Exchange (the "CSE") under the symbol "WWM". On August 18, 2016, the Company received a cease trade order from the CSE due to failing to file its annual financial statements for fiscal 2015 and became delisted from the CSE effective December 6, 2016. As at October 31, 2018, the Company has brought all its filings up to date.

Going concern of operations

These consolidated financial statements have been prepared on a going concern basis which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due for the foreseeable future. The Company has a history of losses with no operating revenue. As at October 31, 2018, the Company reported a working capital deficiency of $657,806 and has an accumulated deficit of $5,059,559. The Company expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company's ability to continue as a going concern. Management has estimated that the Company will require additional financing to meet its obligations for the next fiscal year. Continued operations are dependent on the Company's ability to complete equity financings, secure project debt financing, and / or generate profitable operations in the future. There is no assurance that further financing efforts will be successful or the Company will attain profitable levels of operations.

These consolidated financial statements do not include adjustments that would be required if the going concern assumption is not an appropriate basis for preparation of the financial statements. These adjustments could be material.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values. In addition these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned and controlled subsidiary, Worldwide Cannabis Consortium Inc. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

2. BASIS OF PREPARATION (cont'd…)

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

Significant estimates and assumptions

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Significant areas requiring the use of management estimates include:

i) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts.

Significant judgments

The preparation of these consolidated financial statements requires management to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's condensed interim consolidated financial statements include:

i) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements and whether there are events or conditions that may give rise to significant uncertainty.

ii) The determination of whether it is likely that future taxable profits will be available to utilize against any deferred tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all years presented in these consolidated financial statements, unless otherwise indicated.

Cash

Cash consists of cash on hand at Canadian Financial Institutions.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

(i) Financial assets

The Company classifies its financial assets into one of the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company's cash is classified as fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs and subsequently carried at amortized cost less any impairment. None of the Company's financial assets are classified as loans and receivables.

Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost at the settlement date using the effective interest method of amortization. None of the Company's financial assets are classified as held-to-maturity assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Subsequent to initial recognition, changes in the fair value of available-for-sale financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity. When available-for-sale financial assets are sold, the accumulated fair value adjustments recognized in other comprehensive income are transferred to profit and loss. None of the Company's financial assets are classified as available-for-sale assets.

(ii) Financial liabilities

The Company classifies its financial liabilities as other financial liabilities which include accounts payable and loans payable to related parties. Other financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial Instruments (cont'd…)

(iii) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired.

Loans and receivables

For loans and receivables, a provision for impairment is made and an impairment loss is recognized in profit or loss when there is objective evidence (such as default or delinquency by a debtor, the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the agreement. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Available-for-sale financial assets

For equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. The Company will measure impairment on the basis of an instrument's fair value using an observable market price. An amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Impairment losses recognised on equity instruments are not reversed through profit or loss if the unrealized fair value of the impaired equity instruments increases.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Share capital

The Company records proceeds from the issuance of its common shares as equity. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that the shares are issued.

Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the EPS attributable to common shareholders by the weighted average number of common shares outstanding in the period. The diluted EPS reflects all dilutive potential common shares equivalents, in the weighted average number of common shares outstanding during the period, if dilutive. There were no options or warrants outstanding as at October 31, 2018 and 2017.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based payments

Share-based payments to employees and others providing similar services are measured at grant date at the fair value of the instruments issued and amortized over the vesting periods using a graded-vesting approach. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award is considered a separate grant with a different vesting date and fair value and is accounted for on that basis.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The offset to the recorded cost is to share-based payments reserve. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized as an expense is based on the number of options that eventually vest. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital.

The fair value of the stock options is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience), expected dividends, and the risk-free interest rate (based on government bonds).

Income taxes

Current taxes receivable or payable are estimated on taxable income or loss for the current year at the statutory tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which they can be utilized.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Comparative information

Certain comparative information in these financial statements has been reclassified to conform to the presentation of the current period financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Recent Accounting Pronouncements

Certain new accounting standards, amendments to standards and interpretations have been issued, effective for annual years beginning on or after January 1, 2018.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") is a new standard on revenue that will supersede the following standards: IAS 11 – Construction Contracts; IAS 18 – Revenue; IFRIC 13 – Customer Loyalty Programmes; IFRIC 15 – Agreements for the Construction of Real Estate; IFRIC 18 – Transfers of Assets from Customers; and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. This standard is effective for the Company's year beginning November 1, 2018. The Company has assessed that this standard to not have a significant impact on the Company's existing accounting policies or financial statement presentation.

IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments ("IFRS 9") is a new standard on financial instruments that will replace IAS 39 – Financial Instruments: Recognition and Measurement. The standard addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value through profit or loss. This standard is effective for the Company's year beginning November 1, 2018. The Company has assessed that this standard to not have a significant impact on the Company's existing accounting policies or financial statement presentation.

IFRS 16 – Leases

IFRS 16 – Leases ("IFRS 16") is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract: the lessee and the lessor. IFRS 16 eliminates the classification of leases as either operating or finance leases, as is currently required by IAS 17 – Leases, and instead introduces a single lessee accounting model. This standard is effective for the Company's year beginning November 1, 2019. The Company is currently assessing the impact that this new standards will have on its consolidated financial statements and has not early adopted any of the new standard.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Accounts payable	$ 29,433	$ 28,463
Accrued management fees (Note 5)	609,179	578,304
Accrued expenses	43,000	5,000
	$ 681,612	$ 611,767

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases relating to general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

5. RELATED PARTY TRANSACTIONS

Included in accounts payable are $609,179 (October 31, 2017 - $578,304) related to management fees charged to the Company by the former Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and a director of the Company. Amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

On September 15, 2017, the Company arranged a $250,000 credit facility from Phi Beta Capital Advisors Ltd., a company indirectly controlled by a family member of the former CEO of the Company. During the year ended October 31, 2017, the Company advanced $32,000 from the credit facility. During the year ended October 31, 2018, the Company repaid the principal amount of $32,000 in full together with the accrued interest of $2,112.

In March 2018, the Company arranged a $150,000 loan facility with a company controlled by a director of the Company. The loan is secured by a certain first priority security interest in all of the tangible and intangible property of the Company, bears interest at 3% per annum and is repayable on or before June 1, 2023. The Company is required to make a monthly payment of principal and interest based on an amortization of 60 months. As at October 31, 2018, $130,000 had been advanced to the Company. The Company classified $33,583 of the loan principal together with the accrued interest of $1,750 as current.

Loans payable to related parties also include $2,850 (October 31, 2017 - $2,100) of advances from the directors of the Company. These advances are unsecured, non-interest bearing, and have no specific terms of repayment.

Robert Van Santen, a director and former CEO of the Company, has asserted that termination benefits in the amount of $180,000 are owed relating to an executive services agreement dated June 12, 2017. The Company disagrees with Robert Van Santen's assertion of the circumstances and does not expect to pay any amounts related to the termination.

Key management personnel include directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management personnel during the year ended October 31 is as follows:

	2018	2017
Management fees	$ 60,000	$ 220,000
Legal fees	30,000	5,000
Share-based payments	-	-
Total	$ 90,000	$ 225,000

The Company entered into the following related party transactions during the year ended October 31, 2018:

a) Paid or accrued management fees of $15,000 (2017 - $100,000) to the former CEO of the Company.

b) Paid or accrued management fees of $15,000 (2017 - $60,000) to the former CFO of the Company.

c) Paid or accrued management fees of $30,000 (2017 - $nil) to the CFO of the Company.

d) Paid or accrued legal fees of $30,000 (2017 - $5,000) to the Corporate Secretary of the Company.

e) Paid or accrued management fees of $nil (2017 - $60,000) to a director of the Company.

6. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of common shares with no par value.

Issued share capital

At October 31, 2018 and 2017, the Company had 2,323,849 common shares outstanding.

Share consolidation

On August 8, 2017, the Company completed a consolidation of the Company's issued and outstanding common shares, stock options and warrants on a basis of one (1) post-consolidation common share, stock option and warrant for every ten (10) pre-consolidation common shares, stock options and warrants. All information relating to basic and diluted loss per share, issued and outstanding common shares, share options and warrants in these consolidated financial statements have been adjusted and restated retrospectively to reflect the share consolidation.

Basic and diluted loss per share

The calculation of basic and diluted earnings per share for the year ended October 31, 2018 was based on the loss attributable to common shareholders of $129,252 (2017 - $237,550) and a weighted average number of common shares outstanding of 2,323,849 (2017 - 2,323,849).

7. SHARE-BASED PAYMENTS

Stock option plan

The Company has adopted an incentive stock option plan (the "SOP") pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants. The SOP provides that the number of common shares issuable on the exercise of options granted to all persons together with all of the Company's other previously granted options may not exceed 10% of the issued and outstanding common shares of the Company. The options can be granted for a maximum term of 5 years and certain options vest 25% on the date of grant and 25% every 6 months thereafter for 18 months, while others vest immediately.

The Company had no stock option transactions during the years ended October 31, 2017 and 2018.

The Company had no stock options outstanding at October 31, 2017 and 2018.

8. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows: cash as fair value through profit or loss; accounts payable and loan payable to related parties as other financial liabilities and measured at amortized cost. Information on certain types of financial instruments is included elsewhere in these financial statements as follows: accounts payable (Note 4) and loans payable to related parties (Note 5).

The carrying amounts of cash, accounts payable, loans payable to related parties carried at amortized cost is a reasonable approximation of their fair value due to the relatively short period to maturity of these financial instruments and/or the rate of interest being charged.

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash. The credit risk with respect to its cash is minimal as they are held with high-credit quality financial institutions. Management does not expect these counterparties to fail to meet their obligations. GST recoverable is held with the Government of Canada, and as such, the Company is not exposed to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. The Company performs cash flow forecasting for each fiscal year to ensure sufficient cash is available to fund its projects and operations. As at October 31, 2018, the Company had a cash balance of $39,081 and current liabilities of $719,795. The Company's financial liabilities include accrued expenses and trade and other payables which have contractual maturities of 30 days or are due on demand.

At present, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements and the optioning of its exploration and evaluation assets. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company has arranged a loan facility of $150,000 to fund its short term operating requirements as described in Note 5.

Interest rate risk

The Company is exposed to interest rate risk arising from the cash maintained at Canadian financial institutions. The loan facility is based on a fixed interest rate. The exposure to interest rates for the Company is considered minimal. The Company has not used any financial instrument to hedge potential fluctuations in interest.

9. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Assets and liabilities measured at fair value on a recurring basis on the statement of financial position are summarized in levels of fair value hierarchy as follows. There have been no changes in these levels and no changes in classifications during the year ended October 31, 2018.

	Level 1	Level 2	Level 3	Total
October 31, 2018				
FVTPL				
Cash	$ 39,081	$ -	$ -	$ 39,081
October 31, 2017				
FVTPL				
Cash	$ 1,856	$ -	$ -	$ 1,856

10. CAPITAL MANAGEMENT

In the management of capital, the Company includes components of shareholders' equity in the definition of capital. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition and development of medical marijuana business. The Board of Directors does not establish qualitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is dependent upon external financing to fund its activities. In order to carry out the planned activities, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new opportunities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements

11. INCOME TAXES

The effective income tax rates differ from Canadian statutory rates for the following reasons in the years ended October 31:

	2018	2017
Loss before income taxes	$ (129,252)	$ (237,550)
Statutory tax rate	27%	26%
Expected income tax recovery at statutory rates	$ (35,000)	$ (61,000)
Non-deductible items	(12,000)	-
Effect of change in tax rate	(1,000)	(18,000)
Unrecognized temporary differences	48,000	79,000
Deferred income tax expense	$ -	$ -

The nature and tax effect of the temporary differences giving rise to the unrecognized deferred tax assets are as follows:

	2018	2017
Non-capital loss carry forwards	$ 380,000	$ 330,000
Capital loss carry forwards	133,000	133,000
Share issuance costs	1,000	3,000
Unrecognized deferred income tax assets	$ 514,000	$ 466,000

As at October 31, 2018, the Company has non-capital losses of approximately $1,400,000 (2017 - $1,222,000) for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. These losses, if not utilized, will expire between 2032 and 2038.