

ENDOCAN SOLUTIONS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Three Months Ended January 31, 2019

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL REPORT

The accompanying unaudited interim financial report of the Company has been prepared by and is the responsibility of the Company's management. The Company's independent auditor has not performed a review of this financial report.

ENDOCAN SOLUTIONS INC.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)

	Note	January 31, 2019	October 31, 2018
ASSETS			
Current assets			
Cash		\$ 6,726	\$ 39,081
GST recoverable		18,437	22,908
Total assets		\$ 25,163	\$ 61,989
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	4	\$ 16,375	\$ 37,433
Amounts due to related parties	5	647,029	647,029
Loans payable to related parties – current portion	5	42,808	35,333
		706,212	719,795
Non-current liability			
Loan payable to related parties	5	89,917	96,417
Total liabilities		796,129	816,212
Shareholders' deficiency			
Share capital	6	4,161,636	4,161,636
Contributed surplus	7	143,700	143,700
Deficit		(5,076,302)	(5,059,559)
Total shareholders' deficiency		(770,966)	(754,223)
Total liabilities and shareholders' deficiency		\$ 25,163	\$ 61,989

Nature of business and going concern (Note 1)

The consolidated financial statements were authorized for issue by the board of directors on April 1, 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.
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
THREE MONTHS ENDED JANUARY 31
(Unaudited – Prepared by Management)

	Note	2019	2018
EXPENSES			
Loan interest	5	\$ 975	\$ 1,316
Management fees	5	15,000	32,000
Office and miscellaneous		173	-
Transfer agent and filing fees		595	694
Loss and comprehensive loss for the period		\$ (16,743)	\$ (34,010)
Basic and diluted loss per common share	6	\$ (0.01)	\$ (0.01)
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.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
(Unaudited – Prepared by Management)

	Note	Number of Shares	Share capital	Contributed surplus	Deficit	Total
Balance, October 31, 2018		2,323,849	\$ 4,161,636	\$ 143,700	\$ (5,059,559)	\$ (754,223)
Loss for the period		-	-	-	(16,743)	(16,743)
Balance, January 31, 2019		2,323,849	\$ 4,161,636	\$ 143,700	\$ (5,076,302)	\$ (770,966)

	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 period		-	-	-	(34,010)	(34,010)
Balance, January 31, 2018		2,323,849	\$ 4,161,636	\$ 143,700	\$ (4,964,317)	\$ (658,981)

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

ENDOCAN SOLUTIONS INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED JANUARY 31
(Unaudited – Prepared by Management)

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period	\$	(16,743)	\$ (34,010)
Items not affecting cash:			
Loan interest		975	1,316
Changes in non-cash working capital items:			
GST recoverable		(779)	(785)
Accounts payable and accrued liabilities		(15,808)	32,785
Net cash used in operating activities		(32,355)	(694)
Change in cash during the period		(32,355)	(694)
Cash, beginning of the period		39,081	1,856
Cash, end of the period	\$	6,726	\$ 1,162

There were no significant non-cash transactions during the three month period ended January 31, 2019 and 2018.

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

ENDOCAN SOLUTIONS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JANUARY 31, 2019

(Unaudited – Prepared by Management)

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 January 31, 2019, 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 January 31, 2019, the Company reported a working capital deficiency of \$682,599 and has an accumulated deficit of \$5,076,302. 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 condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by International Accounting Standards Board (“IASB”), applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. The condensed interim consolidated financial statements do not include all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the annual financial statements for the year ended October 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

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.

ENDOCAN SOLUTIONS INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JANUARY 31, 2019

(Unaudited – Prepared by Management)

2. BASIS OF PREPARATION (cont'd...)

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.

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.

ENDOCAN SOLUTIONS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

THREE MONTHS ENDED JANUARY 31, 2019

(Unaudited – Prepared by Management)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out in the Company's audited annual consolidated financial statements for the year ended October 31, 2018 were consistently applied to all the periods presented unless otherwise noted below.

Comparative information

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

New accounting policiesIFRS 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.

Future change

A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2019, or later periods. The Company has not applied these new standards in preparing these financial statements. The following pronouncement is considered by the Company to be the most significant of several pronouncements that may affect the financial statements in future periods.

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.

ENDOCAN SOLUTIONS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

THREE MONTHS ENDED JANUARY 31, 2019

(Unaudited – Prepared by Management)

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	January 31, 2019	October 31, 2018
Accounts payable	\$ 8,375	\$ 29,433
Accrued expenses	8,000	8,000
	<u>\$ 16,375</u>	<u>\$ 37,433</u>

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

Amounts due to related parties were management fees charged to the Company by the directors and officers or companies controlled by its directors, officers and former officers and directors and are unsecured, non-interest bearing, and have no specific terms of repayment.

During the year ended October 31, 2017, the Company advanced \$32,000 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, 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 January 31, 2019, \$130,000 (October 31, 2018 - \$130,000) had been advanced to the Company. The Company classified \$40,083 of the loan principal together with the accrued interest of \$2,725 as current.

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 three month periods ended January 31 is as follows:

	2019	2018
Management fees	\$ 15,000	\$ 30,000
Share-based payments	-	-
Total	<u>\$ 15,000</u>	<u>\$ 30,000</u>

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JANUARY 31, 2019

(Unaudited – Prepared by Management)

5. RELATED PARTY TRANSACTIONS (cont'd...)

The Company entered into the following related party transactions during the three months ended January 31, 2019:

- a) Paid or accrued management fees of \$15,000 (2018 - \$nil) to a company controlled by the CFO of the Company.
- b) Paid or accrued management fees of \$nil (2018 - \$15,000) to a company controlled by the former CEO of the Company.
- c) Paid or accrued management fees of \$nil (2018 - \$15,000) to a company controlled by the former CFO 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 January 31, 2019, the Company had 2,323,849 common shares outstanding (October 31, 2018 - 2,323,849).

Basic and diluted loss per share

The calculation of basic and diluted earnings per share for the three month period ended January 31, 2019 was based on the loss attributable to common shareholders of \$16,743 (2018 - \$34,010) and a weighted average number of common shares outstanding of 2,323,849 (2018 - 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 year ended October 31, 2018 and during the three months ended January 31, 2019.

The Company had no stock options outstanding at October 31, 2018 and January 31, 2019.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED JANUARY 31, 2019

(Unaudited – Prepared by Management)

8. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows: cash as fair value through profit or loss; accounts payable, amounts due to related parties 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 amounts due to related parties and loans payable to related parties (Note 5).

The carrying amounts of cash, accounts payable, amounts due to related parties, 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 January 31, 2019, the Company had a cash balance of \$6,726 and current liabilities of \$706,212. 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.

ENDOCAN SOLUTIONS INC.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

THREE MONTHS ENDED JANUARY 31, 2019

(Unaudited – Prepared by Management)

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 three months ended January 31, 2019.

	Level 1	Level 2	Level 3	Total
January 31, 2019				
FVTPL				
Cash	\$ 6,726	\$ -	\$ -	\$ 6,726
October 31, 2018				
FVTPL				
Cash	\$ 39,081	\$ -	\$ -	\$ 39,081

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