ENDOCAN SOLUTIONS INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED OCTOBER 31, 2019 AND 2018

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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, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in equity 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, 2019 and 2018, 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 26,2020

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

	Note		2019		2018
ASSETS					
Current assets					
Cash		$	682	$	39,081
GST recoverable			3,693		22,908
Total assets		$	4,375	$	61,989
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current liabilities					
Accounts payable and accrued liabilities	4	$	25,901	$	37,433
Amounts due to related parties	5		395,939		647,029
Loans payable to related parties – current portion	5		323,451		35,333
			745,291		719,795
Non-current liability					
Loan payable to related parties	5		-		96,417
Total liabilities			745,291		816,212
Shareholders' deficiency					
Share capital	6		4,161,636		4,161,636
Contributed surplus	7		143,700		143,700
Deficit			(5,046,252)		(5,059,559)
Total shareholders' deficiency			(740,916)		(754,223)
Total liabilities and shareholders' deficiency		$	4,375	$	61,989

Nature of business and going concern (Note 1)
Contingencies (Note 10)
Events after the reporting period (Note 13)

The consolidated financial statements were authorized for issue by the board of directors on February 26, 2020 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		2019		2018
EXPENSES					
Accounting and audit		$	8,950	$	13,425
Consulting			-		12,000
Legal fees	5		-		30,000
Loan interest	5		3,250		3,322
Management fees	5		60,000		60,000
Office and miscellaneous			740		425
Transfer agent and filing fees			5,140		38,233
Travel			-		5,609
			(78,080)		(163,014)
Other item					
Interest income			297		-
Gain on extinguishment of amounts due to related parties			91,090		33,762
			91,387		33,762
Net income (loss) and comprehensive income (loss) for the year		$	13,307	$	(129,252)
Basic and diluted earnings (loss) per common share	6	$	0.01	$	(0.06)
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, 2018		2,323,849	$	4,161,636	$	143,700	$	(5,059,559)	$	(754,223)
Net income for the year		-		-		-		13,307		13,307
Balance, October 31, 2019		2,323,849	$	4,161,636	$	143,700	$	(5,046,252)	$	(740,916)

	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)

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	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) for the year		$ 13,307	$ (129,252)
Items not affecting cash:			
Loan interest		3,250	3,322
Gain on extinguishment of amounts due to related parties		(91,090)	(33,762)
Changes in non-cash working capital items:			
GST recoverable		13,965	(3,328)
Accounts payable and accrued liabilities		(6,282)	103,607
Amounts due to related parties		25,000	-
Net cash used in operating activities		(41,850)	(59,413)
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		3,451	130,750
Net cash provided by financing activities		3,451	96,638
Change in cash during the year		(38,399)	37,225
Cash, beginning of the year		39,081	1,856
Cash, end of the year		$ 682	$ 39,081

There were no significant non-cash transactions during the years ended October 31, 2019 and 2018.

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 was listed on the Canadian Securities Exchange (the "CSE") under the symbol "WWM". On August 18, 2016, the Company received a cease trade order due to failing to file its annual financial statements for fiscal 2015 and became delisted from the CSE effective December 6, 2016. On October 21, 2019, the Company received the revocation of cease trade orders and has brought all its filings up to date. The Company is actively pursuing business opportunities in the medical marijuana sector.

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, 2019, the Company reported a working capital deficiency of $740,916 and has an accumulated deficit of $5,046,252. The Company expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that 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.

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 potential 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.

Financial instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (“FVTOCI”) and at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets and collect contractual cash flows, its contractual terms give rise on specified dates that are solely payments of principle and interest on the principle amount outstanding, and it is not designated as FVTPL. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVTOCI.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise. None of the Company’s financial assets are classified as FVTPL.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. None of the Company’s financial assets are classified as FVTOCI.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. The Company’s cash is classified as financial asset at amortized cost.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of loss and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

(i) Financial liabilities

The Company classifies its financial liabilities as subsequently measured at amortized cost which include accounts payables, amounts due to related parties and loans payable to related parties. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

(ii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables the Company has no material loss allowance as at October 31, 2019 and 2018.

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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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, 2019 and 2018.

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 year financial statements.

New accounting policies

<u>IFRS 15 – Revenue from Contracts with Customers</u>

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") is a new standard on revenue that superseded 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. Adoption of this standard did not have an impact on the Company's consolidated financial statements.

<u>IFRS 9 – Financial Instruments</u>

IFRS 9 – Financial Instruments ("IFRS 9") is a new standard on financial instruments that replaced 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. Adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Future change

A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting years 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 years beginning on or after January 1, 2019. The Company does not have any leases and does not expect any significant impact of adopting IFRS 16 on its consolidated financial statements.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019	2018
Accounts payable	$ 17,901	$ 29,433
Accrued expenses	8,000	8,000
	$ 25,901	$ 37,433

Accounts 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 are comprised of management fees charged to the Company by the directors and officers or companies controlled by its directors, officers and former officers and directors. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment.

During the year ended October 31, 2017, the Company was 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 October 31, 2019, the outstanding balance of the loan was $130,000 (2018 - $130,000) and the accrued interest was $5,000 (2018 - $1,750). An agreement was reached during the year for this balance to be settled in full by means of share issues.

Loans payable to related parties also included a loan of $185,000 transferred from a former director of the Company to a company controlled by the CEO of the Company and $3,451 advanced from a company with directors in common with the Company. Loans payable to related parties of $188,451 are unsecured, non-interest bearing, and have no specific terms of repayment.

In October 2019, the Company entered into debt settlement agreements with three companies controlled separately by two directors and an officer of the Company to settle debt of $480,000 by issuing 2,426,666 common shares of the Company (subsequently issued) (Note 13).

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 years ended October 31 is as follows:

	2019	2018
Management fees	$ 60,000	$ 60,000
Legal fees	-	30,000
Total	$ 60,000	$ 90,000

The Company entered into the following related party transactions during the year ended October 31, 2019:

a) Paid or accrued management fees of $60,000 (2018 - $30,000) to a company controlled by the CFO of the Company.

b) Paid or accrued legal fees of $ nil (2018 - $30,000) to the Corporate Secretary of the Company.

c) Paid or accrued management fees of $nil (2018 - $15,000) to a company controlled by the former CEO of the Company.

d) 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 October 31, 2019 and 2018, the Company had 2,323,849 common shares outstanding.

Basic and diluted loss per share

The calculation of basic and diluted earnings per share for the year ended October 31, 2019 was based on the income attributable to common shareholders of $13,307 (2018 - a loss of $129,252) 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 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 2019.

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

8. 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 year. The Company is not subject to any externally imposed capital requirements

9. INCOME TAXES

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

		2019		2018
Net income (loss) before income taxes	$	13,307	$	(129,252)
Statutory tax rate		27%		27%
Expected income tax recovery at statutory rates	$	3,600	$	(35,000)
Non-deductible items		-		(12,000)
Effect of change in tax rate		-		(1,000)
Unrecognized temporary differences		(3,600)		48,000
Deferred income tax expense	$	-	$	-

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

		2019		2018
Non-capital loss carry forwards	$	380,000	$	380,000
Capital loss carry forwards		133,000		133,000
Share issuance costs		-		1,000
Unrecognized deferred income tax assets	$	513,000	$	514,000

As at October 31, 2019, the Company has non-capital losses of approximately $1,400,000 (2018 - $1,400,000) 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 2033 and 2039.

10. CONTINGENCIES

On June 6, 2019, Robert van Santen, a former director of the Company, and Agilis Capital Corporation (“Agilis”, a company controlled by Robert van Santen) filed a Notice of Civil Claim against the Company claiming a total of $301,882 as follows: $107,507 for outstanding fees, $180,000 in severance compensation, and $14,375 for GST and an unspecified amount for special damages. The Company intends to defend itself vigorously against all of the claims made by Agilis and Mr. van Santen.

11. 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 subsequently measured at amortized cost financial liabilities. 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, and 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, 2019, the Company had a cash balance of $682 and current liabilities of $745,291. 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.

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.

12 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.

As at October 31, 2019, the Company has no financial assets or financial liabilities measured at fair value. There have been no changes in these levels and no changes in classifications during the year ended October 31, 2019.

13. EVENTS AFTER THE REPORTING PERIOD

Subsequent to October 31, 2019, the Company:

i) Issued 2,426,666 common shares to settle debt of $480,000 due to related parties of the Company.

ii) Granted 300,000 common share stock options to directors and officers of the Company. The options are exercisable at $0.25 per share for a period of three years.

iii) Entered into a services agreement with the Chief Executive Officer ("CEO") of the Company for monthly fee of $15,000, with no specified term. The services agreement may be terminated with a termination payment equal to twelve to twenty four months of accrued base fee.