ENDOCAN SOLUTIONS INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED OCTOBER 31, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Endocan Solutions Inc.

Opinion

We have audited the consolidated financial statements of Endocan Solutions Inc. (the "Company") which comprise the consolidated statements of financial position as at October 31, 2020 and 2019, and the consolidated statements of income (loss) and comprehensive income (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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Paul Joseph Leedham.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
February 24, 2021

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

	Note		2020		2019
ASSETS					
Current assets					
Cash		$	2,253	$	682
GST recoverable			105		3,693
Total assets		$	2,358	$	4,375
LIABILITIES AND DEFICIENCY					
Current liabilities					
Accounts payable and accrued liabilities	4	$	142,965	$	25,901
Amounts due to related parties	5		362,352		395,089
Loans payable to related parties	5		26,509		324,301
Total liabilities			531,826		745,291
Deficiency					
Share capital	6		4,641,636		4,161,636
Share-based payments reserve	7		189,387		143,700
Deficit			(5,360,491)		(5,046,252)
Total deficiency			(529,468)		(740,916)
Total liabilities and deficiency		$	2,358	$	4,375

Nature of business and going concern (Note 1)
Contingencies (Note 12)

The consolidated financial statements were authorized for issue by the board of directors on February 24, 2021 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 INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
YEARS ENDED OCTOBER 31

	Note	2020	2019
EXPENSES			
Accounting and audit		$ 7,950	$ 8,950
Legal fees	5	3,513	-
Loan interest	5	-	3,250
Management fees	5	240,000	60,000
Office and miscellaneous		6,092	740
Share-based payments		45,687	-
Transfer agent and filing fees		10,997	5,140
		(314,239)	(78,080)
Other income			
Interest income		-	297
Gain on extinguishment of amounts due to related parties		-	91,090
		-	91,387
Comprehensive income (loss) for the year		$ (314,239)	$ 13,307
Basic and diluted earnings (loss) per common share	6	$ (0.07)	$ 0.01
Weighted average number of common shares outstanding		4,657,437	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	Share-based payments reserve	Deficit	Total
Balance, October 31, 2019		2,323,849	$ 4,161,636	$ 143,700	$ (5,046,252)	$ (740,916)
Shares issued for debt settlement	6	2,426,666	480,000	-	-	480,000
Share-based payments	7	-	-	45,687	-	45,687
Comprehensive loss for the year		-	-	-	(314,239)	(314,239)
Balance, October 31, 2020		4,750,515	$ 4,641,636	$ 189,387	$ (5,360,491)	$ (529,468)

	Note	Number of Shares	Share capital	Share-based payments reserve	Deficit	Total
Balance, October 31, 2018		2,323,849	$ 4,161,636	$ 143,700	$ (5,059,559)	$ (754,223)
Comprehensive 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)

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	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) for the year		$ (314,239)	$ 13,307
Items not affecting cash:			
Loan interest		-	3,250
Gain on extinguishment of amounts due to related parties		-	(91,090)
Share-based payments		45,687	-
Changes in non-cash working capital items:			
GST recoverable		3,588	13,965
Accounts payable and accrued liabilities		2,064	(6,282)
Amounts due to related parties		242,263	25,000
Net cash used in operating activities		(20,637)	(41,850)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from related party loans		22,208	3,451
Net cash provided by financing activities		22,208	3,451
Change in cash during the year		1,571	(38,399)
Cash, beginning of the year		682	39,081
Cash, end of the year		$ 2,253	$ 682
NON-CASH FINANCING ACTIVITY			
Debt settled with issuance of common shares		$ 480,000	$ -

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 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.

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, 2020, the Company reported a working capital deficiency of $529,468 and has an accumulated deficit of $5,360,491. 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.

<u>COVID-19 uncertainty</u>

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds at this time. The Company will continue to monitor the impact of the pandemic on all aspects of its business and evaluate its impact on the Company's liquidity and future prospects.

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.

Subsequent to October 31, 2020, the Company filed an amalgamation application to amalgamate with Worldwide Cannabis Consortium Inc. and continue as one company effective November 1, 2020.

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 consolidated 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 the fair value of stock options using the Black-Scholes option pricing model, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate.

ii) 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 applied in preparing the Company's 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.

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 principal and interest on the principal 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 profit and loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the consolidated statements of income (loss) and comprehensive income (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 consolidated statements of income (loss) and comprehensive income (loss). Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

(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 assets 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 12-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, 2020 and 2019.

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.

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. Diluted and basic loss per share are the same because the effects of potential issuances of shares under stock options would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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 consolidated 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.

New accounting policies

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 was effective for years beginning on or after November 1, 2019. The Company does not have any leases and thus there was no material impact of adopting IFRS 16 on its consolidated financial statements.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2020		2019
Accounts payable	$	120,465	$	17,901
Accrued expenses		22,500		8,000
	$	142,965	$	25,901

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.

During the year ended October 31, 2020, the Company reclassified $115,000 of payables due to a former director from amounts due to related parties to trade payables.

5. RELATED PARTY TRANSACTIONS

Amounts due to related parties of $362,352 (2019 - $395,089) are comprised of management fees charged to the Company by companies controlled by its directors and officers. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment.

Included in loans payable to related parties are $26,509 (2019 - $4,301) in advances from the CEO of the Company and companies with common directors. These loans are unsecured, non-interest bearing, and have no specific terms of repayment.

In March 2018, the Company arranged a $150,000 loan facility with a company controlled by the former CEO of the Company. The loan was 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 was 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 and the accrued interest was $5,000.

As at October 31, 2019, 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. During the year ended October 31, 2020, the Company issued 1,706,666 common shares to settle the loans of $320,000 payable to the company controlled by the CEO of the Company.

During the year ended October 31, 2020, the Company also entered into debt settlement agreements with companies controlled separately by a director and an officer of the Company to settle debt of $160,000 by issuing 720,000 common shares of the Company.

These related party creditors were not considered to be direct or indirect shareholders acting in the capacity of such. As the Company's shares are not publicly traded, the Company determined that the fair value of the shares on the date of settlement could not be reliably measured. The Company assessed that the aggregate 2,426,666 common shares issued (Note 6) shall be measured to reflect the fair value of the debt extinguished under IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*. Due to the short-term nature, the fair value of the debt settled approximates the total carrying value of $480,000.

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:

	2020	2019
Management fees	$ 240,000	$ 60,000
Legal fees	3,513	-
Share-based payments	45,687	-
Total	$ 289,200	$ 60,000

The Company entered into the following related party transactions during the year ended October 31, 2020:

a) Paid or accrued management fees of $180,000 (2019 - $nil) to a company controlled by the CEO of the Company.
b) Paid or accrued management fees of $60,000 (2019 - $60,000) to a company controlled by the CFO of the Company.
c) Paid or accrued legal fees of $3,513 (2019 - $nil) to the Corporate Secretary of the Company.

The Company has entered into services agreements with two companies controlled separately by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company for a total monthly base fee of $20,000, with no specified term. The services agreements may be terminated with a termination payment equal to six to twenty-four months of base fee.

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, 2020, the Company had 4,750,515 common shares outstanding (2019 - 2,323,849).

Escrowed shares

As at October 31, 2020, there were 537,951 common shares held in escrow.

Share issuance

During the year ended October 31, 2020, the Company issued 2,426,666 common shares to settle debt of $480,000 due to related parties of the Company (Note 5).

Basic and diluted loss per share

The calculation of basic and diluted earnings (loss) per share for the year ended October 31, 2020 was based on the loss attributable to common shareholders of $314,239 (2019 - income of $13,307) and a weighted average number of common shares outstanding of 4,657,437 (2019 - 2,323,849).

7. SHARE-BASED PAYMENTS

Stock option plan

The Company has a stock option plan (the “Plan”) in place under which it is authorized to grant options to executive officers and directors, employees and consultants. Pursuant to the Plan, the Company may issue aggregate stock options totaling up to 10% of the issued and outstanding common stock of the Company. Further, the Plan calls for the exercise price of each option to be equal to the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors at the time of grant.

Stock option transactions are summarized as follows:

	Number of options	Weighted Average Exercise Price
Balance, October 31, 2018 and 2019	-	$ -
Granted	300,000	0.25
Balance, October 31, 2020	300,000	$ 0.25
Exercisable at October 31, 2020	300,000	$ 0.25
Weighted average fair value of options granted during the year	$ 0.15	(2019 - $nil)

7. SHARE-BASED PAYMENTS (cont'd…)

The options outstanding at October 31, 2020 have a exercise price of $0.25 and a weighted average remaining contractual life of 2.26 years.

The total share-based payment expense calculated for stock options granted during the year ended October 31, 2020 was $45,687 (2019 - $nil) using the Black-Scholes option pricing model. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	2020	2019
Risk-free interest rate	1.35%	-
Expected life of options	3 Years	-
Expected annualized volatility	145%	-
Dividend rate	Nil	-
Expected forfeiture rate	0%	-
Price at grant date	$0.19	-

As at October 31, 2020, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
300,000	$ 0.25	February 2, 2023

8. CAPITAL MANAGEMENT

In the management of capital, the Company includes components of shareholders' deficiency 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

9. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows: cash as subsequently measured at amortized cost; accounts payable, amounts due to related parties and loans payable to related parties as subsequently measured at amortized cost. Information on certain types of financial instruments is included elsewhere in these consolidated 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.

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, 2020, the Company had a cash balance of $2,253 and current liabilities of $531,826. The Company's financial liabilities include accounts payable, amounts due to related parties and loans payable to related parties 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 advances from related parties. 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 (Note 5) 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.

10 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, 2020, 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, 2020.

11. INCOME TAXES

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

	2020	2019
Net income (loss) before income taxes	$ (314,239)	$ 13,307
Statutory tax rate	27%	27%
Expected income tax expense (recovery) at statutory rates	$ (85,000)	$ 3,600
Permanent differences	14,000	-
Other items	28,000	-
Change in unrecognized deferred tax assets	43,000	(3,600)
Deferred income tax expense	$ -	$ -

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

	2020	2019
Non-capital loss carry forwards	$ 423,000	$ 380,000
Capital loss carry forwards	133,000	133,000
Unrecognized deferred income tax assets	$ 556,000	$ 513,000

As at October 31, 2020, the Company has non-capital losses of approximately $1,567,000 (2019 - $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 2040.

12. 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. The Company is unable to determine the outcome of the claim as at October 31, 2020. The outstanding fees plus applicable GST in the total amount of $115,000 are included in accounts payable and accrued liabilities on the consolidated statements of financial position as at October 31, 2020 and 2019.