Christina Lake Cannabis Corp.

(formerly Cervantes Capital Corp.)

Condensed Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

For the nine months ended August 31, 2019 and 2018

(Expressed in Canadian Dollars)

As at	Notes		August 31, 2019 (Unaudited)		November 30, 2018 (Audited)
ASSETS					
Current assets					
Cash		$	1,222,266	$	1,311,382
GST receivable			86,707		4,369
Prepaid expenses			5,345		-
Subscription receivable	6		-		154,666
			1,314,318		1,470,417
Non-current assets					
Equipment and property	3		2,806,061		863,505
TOTAL ASSETS		**$**	**4,120,379**	**$**	**2,333,922**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	4	$	260,534	$	73,325
TOTAL LIABILITIES			260,534		**73,325**
SHAREHOLDERS' EQUITY					
Share capital	6		4,865,563		3,044,898
Obligation to issue shares	6		761,000		-
Reserve	6		518,808		10,863
Deficit			(2,285,526)		(795,164)
TOTAL SHAREHOLDERS' EQUITY			**3,859,845**		**2,260,597**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**4,120,379**	**$**	**2,333,922**

Nature and continuance of operations (Note 1)
Subsequent events (Note 8)

Approved on behalf of the Board:

"Joel Dumaresq" *"Arie Prins"*

Joel Dumaresq, Director Arie Prins, Director

Christina Lake Cannabis Corp.
(formerly Cervantes Capital Corp.)
Condensed Interim Statements of Comprehensive Loss
(Expressed in Canadian Dollars - Unaudited)

		Three-months period ended		Nine-months period ended	
	Notes	**August 31, 2019**	**August 31, 2018**	**August 31, 2019**	**August 31, 2018**
Expenses					
Consulting fees	5	$ 29,106	$ 10,000	$ 87,057	$ 11,250
Insurance		2,749	-	6,158	-
Nursery expenses		825	-	825	-
Office and miscellaneous		23,306	19	63,209	84
Professional fees	5	49,711	1,945	141,356	4,195
Property taxes		298	-	6,262	-
Rent	5	1,500	3,000	6,500	9,000
Salaries	5	79,973	-	157,350	-
Share based compensation	6	998,910	-	998,910	-
Transfer agent		4,340	199	22,725	4,112
Loss and comprehensive loss for the period		**$ (1,190,718)**	**$ (15,163)**	**$ (1,490,362)**	**$ (28,641)**
Loss per share – basic and diluted		**$ (0.02)**	**$ (0.00)**	**$ (0.03)**	**$ (0.00)**
Weighted average number of common shares outstanding		**56,632,148**	**7,747,600**	**47,602,887**	**7,747,600**

Christina Lake Cannabis Corp.
(formerly Cervantes Capital Corp.)
Condensed Interim Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars - Unaudited)

		Share capital					
	Notes	Number of shares #	Amount $	Obligation to issue share $	Reserves $	Deficit $	Total $
Balance at November 30, 2017		**7,747,600**	**194,750**	**-**	**-**	**(210,626)**	**(15,876)**
Loss and comprehensive loss for the year		-	-	-	-	(28,641)	(28,641)
Balance at August 31, 2018		**7,747,600**	**194,750**	**-**	**-**	**(239,267)**	**(44,517)**
Balance at November 30, 2018		**40,791,605**	**3,044,898**	**-**	**10,863**	**(795,164)**	**2,260,597**
Loss and comprehensive loss for the period		-	-	-	-	(1,490,362)	(1,490,362)
Private placement	6	13,615,000	1,361,500	761,000	-	-	2,122,500
Share issue costs – cash	6	-	(31,800)	-	-	-	(31,800)
Share issue costs – fair value of finder's fee warrants	6	-	(9,035)	-	9,035	-	-
Shares for service	6	5,000,000	500,000	-	-	-	500,000
Stock based compensation		-	-	-	498,910	-	498,910
Balance at August 31, 2019		**59,406,605**	**4,865,563**	**761,000**	**518,808**	**(2,285,526)**	**3,859,845**

Christina Lake Cannabis Corp.
(formerly Cervantes Capital Corp.)
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

Nine-months period ended		August 31, 2019		August 31, 2018
Operating activities				
Net loss for the period	$	(1,490,362)	$	(28,641)
Items not affecting cash:				
Share based compensation		998,910		-
Changes in non-cash working capital items:				
Increase/(Decrease) in receivables		(82,338)		1,020
Increase in Prepaid expenses		(5,345)		-
(Decrease)/Increase in accounts payable and accrued liabilities		64,451		22,900
Net cash flows used in in operating activities		(514,684)		(4,721)
Investing activities				
Deposit on land acquisition		(20,000)		-
Acquisition of equipment		(158,108)		-
Acquisition of property		(1,641,690)		-
Net cash flows used in investing activities		(1,819,798)		-
Financing activities				
Proceeds from subscriptions receivable		154,666		-
Share capital issued less share issuance costs		1,329,700		-
Obligation to issue shares		761,000		-
Net cash flows from financing activities		2,245,366		-
Decrease in cash		(89,116)		(4,721)
Cash, beginning of period		1,311,382		6,072
Cash, end of period	**$**	**1,222,266**	**$**	**1,351**

Supplemental non-cash flow information:

	Nine-months period ended August 31, 2019 $	Nine-months period ended August 31, 2018 $
Building improvement in accounts payable	122,758	-
Fair value of finders warrants	9,035	-

The accompanying notes are an integral part of these condensed interim financial statements

1. Nature and continuance of operations

Christina Lake Cannabis Corp. (formerly Cervantes Capital Corp.) (the "Company") was incorporated on October 26, 2014, under the laws of the province of British Columbia, Canada. The Company is engaged in the business of becoming a licensed cannabis research and development company in British Columbia. On December 21, 2018, the Company changed its name from Cervantes Capital Corp. to Christina Lake Cannabis Corp.

The Company's principal address, records office and registered address are located at Suite 810 – 789 West Pender Street, Vancouver, BC, V6C 1H2

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company is in the development stage and currently has no sources of cash from operations. Further funds will be required to successfully develop the Company's business and there is no certainty that these funds will be available. As at August 31, 2019 the Company had accumulated losses of $2,285,526 (2018 - $795,164). Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company's continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations and ultimately achieve profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and or profits from its business activities.

2. Significant accounting policies

Basis of presentation and statement of compliance

Statement of Compliance
These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 Interim Financial Reporting. These condensed interim financial statements do not include all the information required for annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended November 30, 2018. These financial statements have been prepared following the same accounting policies as the Company's audited financial statements for the year ended November 30, 2018.

These financial statements were approved and authorized for issue on October 29, 2019 by the Board of Directors of the Company.

Basis of Presentation
These financial statements have been prepared on an historical cost basis, except for financial instruments which are classified as fair value through profit or loss. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts on the financial statements are presented in Canadian dollars which is the functional currency of the Company.

The preparation of the Company's financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

2. Significant accounting policies (cont'd)

Significant estimates and assumptions
Areas requiring a significant degree of estimation relate to the fair value measurements for financial instruments, valuation of properties and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates.

Significant judgments
The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include: the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty

Loss per share
Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

Equipment and Properties
Equipment and properties (included land and building) are stated at cost less accumulated depreciation. Cost includes all expenditures incurred to bring assets to the location and condition necessary for them to be operated in the manner intended by management. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from properties and any gain or loss is reflected as a gain or loss from operations.

The estimated useful live is:

Building	20 years
Equipment	5 years

New standards adopted

Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking "expected loss" impairment model.

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

2. Significant accounting policies (cont'd)

New standards adopted (Continued)

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	Loans and receivable	Amortized cost
Subscription receivables	Loans and receivable	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive loss on December 1, 2018.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Financial assets through other comprehensive income ("FVTOCI")

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not currently hold any financial instruments designated as FVTOCI.

2. Significant accounting policies (cont'd)

New standards adopted (Continued)

Equity instruments designated as FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured 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 OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings. The Company does not currently hold any equity instruments designated as FVTOCI.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset 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 Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss and comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of loss and comprehensive loss.

IFRS 15, Revenue from Contracts with Customers

The Company adopted IFRS 15 – Revenue from contracts with customers on January 1, 2018 in accordance with the transitional provisions of the standard. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

(Expressed in Canadian Dollars - unaudited)

2. Significant accounting policies (cont'd)

IFRS 15, Revenue from Contracts with Customers (cont'd)

Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the goods or services. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. IFRS15 is effective for reporting periods beginning on or after January 1, 2018 with early application permitted.

Since the Company has no revenues from contracts with customers, there was no material impact on the Company's financial statements upon adoption of this standard.

New accounting standards issued but not yet effective

IFRS 16 – Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not early adopted this new standard and does not expect it to have a material effect on the Company's future results and financial operations.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

3. Property and equipment

On October 16, 2018, the Company acquired 32 acres of industrial zoned agricultural land in Christina Lake, British Columbia from an arm's length party, and paid $863,505. The property's existing infrastructure includes a 6,000 square foot steel framed building, which is currently being retrofitted for offices, personnel rooms, as well as a cannabis nursery and a cultivation room. These building improvements are capitalized. The property is in the process of meeting all provincial, municipal and federal requirements for licensing, and is compliant with all applicable municipal and provincial laws having obtained the required development permits from the Regional District of Kootenay Boundary. The purchase price was allocated to the land and building based on management's estimate of their relative fair values on November 30, 2018.

	Equipment	Land	Building	Building improvement	Total
Year ended November 30, 2018	$ -	$ 468,630	$ 394,875	$ -	$ 863,505
Additions	158,108	20,000	-	1,764,448	1,942,556
Period ended August 31, 2019	$ 158,108	$ 488,630	$ 394,875	$ 1,764,448	$ 2,806,061

The Property is not yet ready for its intended use and no amortization has been recorded for the nine months period ended August 31, 2019.

On February 26, 2019, the Company entered into an arm's length purchase agreement to acquire an adjacent 99-acre parcel of industrially-zoned agricultural land ("Ponderosa") for approximately $600,000. The Company advanced a $15,000 deposit and paid $5,000 fees. See also subsequent events, note 8. The Company is currently seeking to obtain provincial, municipal and federal approval so that the Ponderosa property meets all requirements for licensing, and is compliant with all applicable municipal and provincial laws including obtaining the required development permits from the Regional District of Kootenay-Boundary.

(Expressed in Canadian Dollars - unaudited)

3. Property and equipment (continued)

During the nine month period ended August 31, 2019, the Company purchased equipment for $158,108. The Property and equipment are not yet ready for its intended use and no amortization has been recorded for the nine months period ended August 31, 2019.

4. Accounts payable and accrued liabilities

		August 31, 2019		**November 30, 2018**
Accounts payable	$	214,981	$	69,825
Accrued liabilities		39,500		3,500
	$	**260,534**	**$**	**73,325**

Included in accounts payable are amounts totaling $33,658 (November 30, 2018 - $16,760) due to related parties (Note 5).

5. Related party transactions and balances

The Company has identified its directors and certain senior officers as its key management personnel.

During the period, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors. The key management compensation and director fees consist of the following for the nine months period ended August 31, 2019 and 2018:

		August 31, 2019		**August 31, 2018**
Consulting fees paid to a private company controlled by the former CEO	$	72,205	$	12,210
Consulting and rent fees paid or accrued to the CFO		38,000		-
Consulting fees paid or accrued to a director		22,500		-
Share based payments for directors		375,000		-
Salaries paid to directors and officers of the Company		202,500		-
	$	**710,205**	**$**	**12,210**

As at August 31, 2019, there was $33,658 (November 30, 2018 - $16,760) included in accounts payable and a $Nil (November 30, 2018 - $18,402) advance owing to a company controlled by an individual who is an officer and director of the Company. The balances are unsecured, due on demand and is non-interest bearing.

As at August 31, 2019, $Nil (November 30, 2018 - $33,333) of the subscription receivable was owing from one of the Company's officers and his family members.

6. Share Capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At August 31, 2019 there were 59,406,605 (November 30, 2018 - 40,791,605) issued and fully paid common shares outstanding.

(Expressed in Canadian Dollars - unaudited)

6. Share Capital (cont'd)

Share issuances for the nine months' period ended August 31, 2019

On July 10, 2019, the Company issued 5,000,000 common shares for services with a fair value of $500,000, subject to escrow. The total consideration was recorded at fair value based on the June 26, 2019 private placement per share price.

On June 26, 2019, the Company issued 2,125,000 units at a price of $0.10 per unit for gross proceeds of $212,500. Each unit consists of one common share and one-half of one warrant; each such whole warrant entitles the holder to acquire one additional common share at a price of $0.20 until June 26, 2020. The Company issued 148,750 finder's warrants with a fair value of $2,835. Each finder warrant entitling the holder to acquire one additional common share at $0.20 for a period of 12 months. The fair value of the finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - $0.10; exercise price - $0.20; expected life – 1 year; volatility – 100%; dividend yield – $0; and risk-free rate – 1.70%.

On April 26, 2019, the Company issued 11,490,000 units at a price of $0.10 per unit for gross proceeds of $1,149,000. Each unit consists of one common share and one-half of one warrant; each such whole warrant entitles the holder to acquire one additional common share at a price of $0.20 until April 26, 2020. The Company incurred cash finder's fees of $31,800 and issued 318,000 finder's warrants with a fair value of $6,200. Each finder warrant entitling the holder to acquire one additional common share at $0.20 for a period of 12 months. The fair value of the finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - $0.10; exercise price - $0.20; expected life – 1 year; volatility – 100%; dividend yield – $0; and risk-free rate – 1.72%.

During the period ended August 31, 2019, the Company received cash of $761,000 in advance for shares issued pursuant to a private placement that closed subsequent to year-end (Note 8).

Share issuances for the year ended November 30, 2018

In October and November 2018, the Company issued 28,044,005 units at a price of $0.09 per Unit ("Unit") for gross proceeds of $2,523,960, of which $154,666 was recorded in subscription receivable and received subsequent to November 30, 2018. Each Unit consists of one common share and one common share purchase warrant; each warrant is exercisable into one common share, expire one year from the date of issuance and have an exercise price of $0.30. In consideration for their services, the underwriters received a cash commission of $90,269 and the Company paid other finder's fees of $22,680. A total of 1,248,019 finder's warrants were granted with a fair value of $10,863; each finder warrant entitling the holder to acquire one additional common share at $0.30 for a period of 12 months. The fair value of the finders' warrants was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - $0.09; exercise price - $0.30; expected life – 1 year; volatility – 100%; dividend yield – $0; and risk-free rate – 2.22%.

On October 22, 2018, the Company issued 5,000,000 Units at a price of $0.04 per common share for gross proceeds of $200,000. Each Unit consists of one common share and one half common share purchase warrant; each whole warrant is exercisable into one common share, expire 4 years from the date of issuance and have an exercise price of $0.09. The Company determined that the fair value of the Units was $0.09 per Unit and recorded a share-based payment of $250,000.

Warrants

The continuity of the Company's share purchase warrants pursuant is as follows:

	Number of share purchase warrants	Weighted average exercise price
	#	$
Outstanding, November 30, 2018	31,792,024	0.30
Granted	7,274,250	0.20
Outstanding, August 31, 2019	39,066,274	0.27

(Expressed in Canadian Dollars - unaudited)

6. Share Capital (cont'd)

As of August 31, 2019, the Company had share purchase warrants outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise price $	Number of warrants #
October 12, 2019	0.30	20,608,963
October 29, 2019	0.30	6,683,061
November 2, 2019	0.30	2,000,000
April 26, 2020	0.20	6,063,000
June 26, 2020	0.20	1,211,250
October 22, 2022	0.09	2,500,000
		39,066,274

Stock Options

On March 1, 2017, the Board of Directors approved the adoption of a fixed Stock Option Plan reserving for issuance, upon the exercise of options granted pursuant to the Stock Option Plan, a maximum of 20% of the issued and outstanding shares of the Company, less any shares required to be reserved with respect to options granted by the Company prior to the implementation of the Stock Option Plan. The Stock Option Plan was subsequently replaced with the 2018 Plan which was approved by shareholders at its January 9, 2019 Annual General and Special Meeting. The 2018 Plan is substantively similar to the Stock Option Plan except that it increases the number of common shares reserved under it. The 2018 Plan reserves 8,158,321 common shares (which represents 20% of the Company's outstanding common shares as of the record date for the Meeting), compared to 199,520 under the Stock Option Plan.

On June 1, 2019, the Company issued 6,570,000 options to consultants, directors and management, with a fair value of $498,430, to acquire one additional common share at a price of $0.09 until June 1, 2024. The fair value of the options was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - $0.10; exercise price - $0.09; expected life – 5 year; volatility – 100%; dividend yield – $0; and risk-free rate – 1.35%.

On August 14, 2019, the Company issued 10,000 Options to a consultant, with a fair value of $480, to acquire one additional common share at a price of $0.20 until August 14, 2022. The fair value of the options was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - $0.10; exercise price - $0.20; expected life – 3 year; volatility – 100%; dividend yield – $0; and risk-free rate – 1.29%.

The continuity of the Company's share purchase options is as follows:

	Number of share purchase options #	Weighted average exercise price $
Outstanding, November 30, 2018	-	-
Granted	6,580,000	0.09
Outstanding, August 31, 2019	6,580,000	0.09

(Expressed in Canadian Dollars - unaudited)

6. Share Capital (cont'd)

As of August 31, 2019, the Company had share purchase options outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise price $	Number of options #
June 1, 2024	0.09	6,580,000
August 14, 2022	0.20	10,000
		6,580,000

Reserve

The reserve account records items recognized as stock-based compensation expense and the fair value of finders' warrants issued until such time that the stock options and warrants are exercised, at which time the corresponding amount will be reallocated to share capital.

7. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and subscription receivable. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk related to cash is assessed as low. Subscription receivable was owed by subscribers to the Company's private placements. Credit risk related to subscription receivable was assessed as low.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. As of August 31, 2019, the Company has sufficient working capital of $1,053,784 to cover short term obligations.

Historically, the Company's sole source of funding has been loans from related parties and private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as medium.

Foreign exchange risk
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is not exposed to foreign exchange risk.

7. Financial risk and capital management (Cont'd)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at August 31, 2019, the Company did not have any financial instruments subject to interest rate risk.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity and cash. 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.

8. Subsequent event

On September 20, 2019, the Company issued 12,125,000 units in a non-brokered private placement at a price of $0.20 per unit for gross proceeds of $2,425,000. Each unit consists of one common share and one-half of one warrant; each such whole warrant entitles the holder to acquire one additional common share at a price of $0.40 until September 20, 2020. The Company incurred cash finder's fees of $88,440 and issued 442,200 finder's warrants each finder warrant entitles the holder to purchase one common share exercisable at $0.40 until September 20, 2020.

On September 26, 2019, the Company completed the purchase of the Ponderosa property for $624,767. The Company paid the remaining balance of $604,737.

On October 17, 2019, the Company issued 4,587,597 units at a price of $0.20 per unit for gross proceeds of $917,519. Each unit consists of one common share and one-half of one warrant; each whole warrant entitles the holder to acquire one additional common share at a price of $0.40 until October 17, 2020.