Christina Lake Cannabis Corp.

Financial Statements

Year Ended November 30, 2019 and 2018

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Christina Lake Cannabis Corp.

Opinion

We have audited the financial statements of Christina Lake Cannabis Corp. (the "Company"), which comprise the statements of financial position as at November 30, 2019 and 2018, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the 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. The other information comprises the information included in Management's Discussion and Analysis.

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 audit of the 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditor's Responsibilities for the Audit of the 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 auditor's 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 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 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 auditor's report to the related disclosures in the 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 auditor's 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 auditor's report is Cherry Ho.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

March 30, 2020

(Expressed in Canadian Dollars)

As at	Notes		November 30, 2019		November 30, 2018
ASSETS					
Current assets					
Cash		$	740,973	$	1,311,382
GST receivable			180,348		4,369
Prepaid expenses			6,130		-
Subscription receivable	6		95,005		154,666
			1,022,456		1,470,417
Non-current assets					
Property, plant and equipment	3		5,180,334		863,505
TOTAL ASSETS		**$**	**6,202,790**	**$**	**2,333,922**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	4,5	$	421,467	$	73,325
TOTAL LIABILITIES			421,467		**73,325**
SHAREHOLDERS' EQUITY					
Share capital	6		8,093,927		3,044,898
Obligation to issue shares	6		104,932		-
Reserves	6		539,940		10,863
Deficit			(2,957,476)		(795,164)
TOTAL SHAREHOLDERS' EQUITY			**5,781,323**		**2,260,597**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**6,202,790**	**$**	**2,333,922**

Nature and continuance of operations (Note 1)
Subsequent events (Note 10)

Approved on behalf of the Board:

"Joel Dumaresq"	*"Jason Taylor"*
Joel Dumaresq, Director	Jason Taylor, Director

	Notes		Year ended November 30, 2019		Year ended November 30, 2018
Expenses					
Consulting fees	5	$	365,682	$	261,999
Office and miscellaneous			159,759		5,525
Professional fees			183,161		5,073
Rent	5		8,000		12,000
Salaries	5		317,023		40,431
Share based compensation	5,6		1,103,842		250,000
Transfer agent			24,845		9,510
Total Expenses			(2,162,312)		(584,538)
Loss and comprehensive loss for the year		**$**	**(2,162,312)**	**$**	**(584,538)**
Loss per share – basic and diluted		**$**	**(0.04)**	**$**	**(0.05)**
Weighted average number of common shares outstanding			**53,438,695**		**11,622,932**

(Expressed in Canadian Dollars)

	Note	Share capital		Obligation to issue shares	Reserves	Deficit	Total
		Number of shares	Amount				
		#	$	$	$	$	$
Balance at November 30, 2017		**7,747,600**	**194,750**	**-**	**-**	**(210,626)**	**(15,876)**
Loss and comprehensive loss for the year		-	-	-	-	(584,538)	(584,538)
Private placements	6	33,044,005	2,973,960	-	-	-	2,973,960
Share issuance cost	6	-	(123,812)	-	10,863	-	(112,949)
Balance at November 30, 2018		**40,791,605**	**3,044,898**	**-**	**10,863**	**(795,164)**	**2,260,597**
Loss and comprehensive loss for the year		-	-	-	-	(2,162,312)	(2,162,312)
Private placements	6	30,327,597	4,704,080	-	-	-	4,704,080
Shares for consulting services	6	5,000,000	500,000	-	-	-	500,000
Share issuance costs	6		(155,051)	-	30,167	-	(124,884)
Obligation to issue shares	6	-	-	104,932	-	-	104,932
Share based compensation	6	-	-	-	498,910	-	498,910
Balance at November 30, 2019		**76,119,202**	**8,093,927**	**104,932**	**539,940**	**(2,957,476)**	**5,781,323**

(Expressed in Canadian Dollars)

Year ended,	**November 30, 2019**	**November 30, 2018**
Operating activities		
Net loss for the year	$ (2,162,312)	$ (584,538)
Non-cash items:		
Share-based compensation	1,103,842	250,000
Shares issued for consulting fees	126,020	-
Changes in non-cash working capital items:		
Increase in GST receivable	(175,979)	(2,419)
Increase in prepaid	(6,130)	
Increase in accounts payable and accrued liabilities	52,365	49,427
Net cash flows used in operating activities	(1,062,194)	(287,530)
Financing activities		
Private placements	4,463,055	2,456,345
Subscription receivable	154,666	-
Share issuance costs	(124,884)	-
Net cash flows from financing activities	4,492,837	2,456,345
Investing activities		
Acquisition of land and building	(619,767)	(863,505)
Acquisition of equipment	(225,394)	-
Building improvements incurred	(3,155,891)	-
Net cash flows used in investing activities	(4,001,052)	(863,505)
Increase (decrease) in cash	(570,409)	1,305,310
Cash, beginning of year	1,311,382	6,072
Cash, end of year	**$ 740,973**	**$ 1,311,382**

Supplemental non-cash flow information:

	Year ended November 30, 2019 $	**Year ended November 30, 2018 $**
Building improvements in accounts payable	315,777	-
Fair value of finders warrants	30,167	10,863

The accompanying notes are an integral part of these financial statements

1. Nature and continuance of operations

Christina Lake Cannabis 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 producer 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 November 30, 2019 the Company had accumulated losses of $2,957,476 (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 equity and debt financings, and loans from directors and companies controlled by directors and or profits from its business activities.

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. The impact on the Company is not currently determinable but management continues to monitor the situation.

2. Significant accounting policies

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

These audited annual financial statements were approved and authorized for issue on March 30, 2020 by the directors of the Company.

Significant estimates and assumptions
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.

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.

2. Significant accounting policies (continued)

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 classification of expenditures as building improvements to be capitalized or as operating costs which are expensed; 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.

Property, Plant and Equipment

Property, plant and equipment (included land, building and building improvement) 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. Depreciation commences once an asset is ready for its intended use. 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 lives are:

Building and building improvements	20 years
Equipment	5 years

Impairment of assets

The Company performs impairment tests on its property and equipment when new events or circumstances occur or when new information becomes available relating to their recoverability. When the recoverable amount of each separately identifiable asset or cash generating unit ("CGU") is less than its carrying value, the asset or CGU's assets are written down to their recoverable amount with the impairment loss charged against profit or loss. A reversal of the impairment loss in a subsequent period will be charged against profit or loss if there is a significant reversal of the circumstances that caused the original impairment. The impairment will be reversed up to the amount of depreciated carrying value that would have otherwise occurred if the impairment loss had not occurred.

The CGU's recoverable amount is the greater of an asset's fair value less costs to sell and value in use. In calculating the recoverable amount, the Company utilizes discounted cash flow techniques to determine fair value when it is not possible to determine fair value from active markets or a written offer to purchase. Management calculates the discounted cash flows based upon its best estimate of a number of economic, operating, engineering, environmental, political and social assumptions. Any changes in the assumptions due to changing circumstances may affect the calculation of the recoverable amount.

2. Significant accounting policies (continued)

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and common share warrants are recognized as a deduction from equity. Common shares issued for non-monetary consideration are measured based on their market value at the date the common shares are issued.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock, and any related amount recorded in reserve is transferred to capital stock.

Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is provided using the asset and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

New standards adopted

Financial instruments

The Company adopted all of the requirements of IFRS 9 Financial Instruments on December 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.

2. Significant accounting policies (continued)

New standards adopted (Continued)

Financial instruments (Continued)

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

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 December 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
Subscriptions receivable	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 2019 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.

2. Significant accounting policies (continued)

New standards adopted (Continued)

Financial instruments (Continued)

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.

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.

2. Significant accounting policies (continued)

IFRS 15, Revenue from Contracts with Customers

The Company adopted IFRS 15 – Revenue from contracts with customers on December 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.

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 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The main provision of IFRS 16 is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases that were previously classified as operating leases. Under IFRS 16, a lessee is required to do the following: (i) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet; and (ii) recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant, as the right-of-use asset is depreciated and the lease liability is accreted using the effective interest method. The new standard also requires qualitative disclosures along with specific quantitative disclosures. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The Company has determined that the adoption of this standard will not have a material impact on its financial statement as it does not have any leases.

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, plant and equipment

On October 16, 2018, the Company acquired 32 acres of industrial zoned agricultural land in Christina Lake, British Columbia for consideration of $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. The purchase price was allocated to the land and building based on management's estimate of their relative fair values on November 30, 2018.

On February 26, 2019, the Company entered into a purchase agreement to acquire an adjacent 99-acre parcel of industrially-zoned agricultural land ("Ponderosa") for $619,767 including taxes and fees. The Company is currently seeking to obtain provincial, municipal and federal approval so that the Ponderosa property meets all requirements for licensing.

(Expressed in Canadian Dollars)

3. Property, plant and equipment (Continued)

	Equipment $	Land $	Building $	Building improvement $	Total $
Year ended November 30, 2017	-	-	-	-	-
Additions	-	468,630	394,875	-	863,505
Year ended November 30, 2018	-	468,630	394,875	-	863,505
Additions	225,394	619,767	-	3,471,668	4,316,829
Year ended November 30, 2019	225,394	1,088,397	394,875	3,471,668	5,180,334

The property, plant and equipment are not yet ready for its intended use and no depreciation has been recorded for the year ended November 30, 2019.

4. Accounts payable and accrued liabilities

	November 30, 2019	November 30, 2018
Accounts payable	$ 343,467	$ 69,825
Accrued liabilities	48,000	3,500
Deposits	30,000	20,000
	$ 421,467	**$ 73,325**

During the year ended November 30, 2019, the Company received $30,000 in deposits toward a convertible debenture financing, which has not closed as of the date of these financial statements (Note 10). As at November 30, 2018, there were deposits received of $20,000, which were applied to private placement units issued during the year ended November 30, 2019.

5. Related party transactions and balances

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

During the year, 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 years ended November 30, 2019 and 2018:

	November 30, 2019 $	November 30, 2018 $
Consulting fees paid to a private company controlled by the former CEO	72,205	12,000
Consulting fees paid to directors of the Company	30,000	-
Consulting fees paid to a private company jointly controlled by the CFO	126,020	12,000
Salaries paid to related parties	270,000	-
Shares issued in lieu of cash for consulting fees (Note 6)	479,932	-
Share based compensation	201,419	-
	1,179,576	**24,000**

As at November 30, 2019, there was $31,050 (November 30, 2018 - $16,760) included in accounts payable for directors of the Company. The balance is unsecured, due on demand and are non-interest bearing.

5. Related party transactions and balances

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

During the year ended November 30, 2019, the Company paid rent of $8,000 to a private company jointly controlled by the CFO (2018 - $Nil).

During the year ended November 30, 2019, the Company issued 735,000 units to the CFO in lieu of cash for consulting fees in the amount of $126,020 (Note 6).

During the year ended November 30, 2019, the Company issued 3,750,000 common shares with a fair value of $375,000 to directors of the Company for consulting services (Note 6).

The Company was obligated to issue 604,110 shares to the former CEO of the Company as part of his employment agreement, which is recorded as obligation to issue shares of $104,932 at November 30, 2019. These shares were issued subsequent to November 30, 2019 (Notes 6 and 10).

6. Share Capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At November 30, 2019, there were 76,119,202 (2018 - 40,791,605) issued and fully paid common shares outstanding.

Share issuances for the year ended November 30, 2019

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%.

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 July 10, 2019, the Company issued 5,000,000 common shares for services with a fair value of $500,000, which was recorded as share based compensation, of which $375,000 was for directors (Note 5). These shares are subject to an escrow agreement.

6. Share Capital (Continued)

On September 20, 2019, the Company issued 12,125,000 units 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 paid finders fees of $72,924 and issued 442,200 finder's warrants with a fair value of $17,210. Each finder warrant entitling the holder to acquire one additional common share at $0.40 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 - $0.20; exercise price - $0.40; expected life – 1 year; volatility – 100%; dividend yield – $0; and risk-free rate – 1.59%.

On October 17, 2019, the Company issued 4,587,597 units at a price of $0.20 per unit for gross proceeds of $917,580. 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 October 17, 2020. The Company paid finders fees of $20,160 and issued 100,800 finder's warrants with a fair value of $3,922. Each finder warrant entitling the holder to acquire one additional common share at $0.40 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 - $0.20; exercise price - $0.40; expected life – 1 year; volatility – 100%; dividend yield – $0; and risk-free rate – 1.68%.

During the year ended November 30, 2019, the Company recorded a share subscription receivable of $95,005, which was collected subsequent to year end.

Included in the private placements during the year ended November 30, 2019, 735,000 units were issued to the CFO in lieu of cash for consulting fees in the amount of $126,020 (Note 5).

The Company was obligated to issue 604,110 shares to the former CEO of the Company as part of his employment agreement, which is recorded as obligation to issue shares of $104,932 at November 30, 2019. These shares were issued subsequent to November 30, 2019 (Notes 5 and 10).

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 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. These shares are subject to a pooling arrangement.

(Expressed in Canadian Dollars)

6. Share Capital (Continued)

Escrow Shares

As at November 30, 2019, 5,000,000 shares are held in escrow and will be released based on the following:

On the date on which the Company is listed on the Canadian Securities Exchange ("Listing Date"), 500,000 common shares will be released from escrow. The remaining 4,500,000 common shares will be released pursuant to the following schedule:

6 months after the Listing Date	1/6 of the remaining escrow securities
12 months after the Listing Date	1/5 of the remaining escrow securities
18 months after the Listing Date	1/4 of the remaining escrow securities
24 months after the Listing Date	1/3 of the remaining escrow securities
30 months after the Listing Date	1/2 of the remaining escrow securities
36 months after the Listing Date	the remaining escrow securities

Pooled Shares

As at November 30, 2019, 5,000,000 common shares are held in a pooling arrangement. If the shareholder's employment terminates within two years, the Company has the option to repurchase these shares from the shareholders at the deemed issuance price of $0.04 per unit. The common shares will be released on October 18, 2020.

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, 2017	-	-
Granted	31,792,024	0.30
Outstanding, November, 30, 2018	31,792,024	0.30
Granted	16,173,549	0.31
Expired	(29,292,024)	0.30
Cancelled	(1,040,000)	0.09
Outstanding, November 30, 2019	17,633,549	0.29

As of November 30, 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 #
April 26, 2020	0.20	6,063,000
June 26, 2020	0.20	1,211,250
October 22, 2022	0.09	1,460,000
September 20, 2020	0.40	6,504,700
October 17, 2020	0.40	2,394,599
		17,633,549

The weighted average life of the Company's warrants is 0.84 years.

(Expressed in Canadian Dollars)

6. Share Capital (Continued)

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%. The Company cancelled 1,500,000 stock options.

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
Cancelled	(1,500,000)	0.09
Outstanding, November 30, 2019	5,080,000	0.09

As of November 30, 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	5,070,000
August 14, 2022	0.20	10,000
		5,080,000

The weighted average life of the Company's options is 4.5 years.

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 instruments

The Company classifies its financial instruments into categories as follows: cash and subscriptions receivable as financial assets at amortized cost, and accounts payable as other financial liabilities at amortized cost.

Fair value

Cash is carried at fair market value based on quoted market prices in an active market. The carrying value of accounts payable approximate its fair values due to the short-term nature of these financial instruments. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs that are not based on observable market data.

Cash is measured using Level 1 inputs.

8. 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 November 30, 2019, the Company has sufficient cash of $740,973 (2018 - $1,311,382) 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 high.

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.

(Expressed in Canadian Dollars)

8. Financial risk and capital management (Continued)

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 November 30, 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.

9. Income Taxes

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

		November 30, 2019		November 30, 2018
Net loss before income taxes	$	(2,162,312)	$	(584,538)
Statutory tax rate		27%		27%
Expected income tax recovery at the statutory tax rate		(583,824)		(157,825)
Permanent differences		274,384		35,133
Effect on change of tax rates		-		(2,106)
Changes in valuation allowance		309,440		124,798
Income tax recovery	$	-	$	-

At November 30, 2019, the Company has non-capital losses of $1,637,000 (November 30, 2018: $564,000) which expire as follows: $25,384 in 2035 and $8,298 in 2036, $173,194 in 2037, $356,942 in 2038, and $1,073,102 in 2039 and share issuance costs of $174,195 available for future deduction. No deferred tax asset has been recognized in relation to these deductible temporary differences.

10. Subsequent events

Subsequent to year end, the Company entered into a departure agreement with the former CEO. Pursuant to the terms of the agreement, the Company will issue 604,110 compensation shares and pay an aggregate of $51,662 over a six-month period. The Company recorded an obligation to issue shares of $104,932 (Note 6).

Subsequent to year end, the Company extended the expiry date of 5,745,000 warrants with an expiry of April 26, 2020 to December 31, 2020 and 2,293,799 warrants with an expiry of October 17, 2020 to December 31, 2021.

Subsequent to year end, the Company granted 1,540,000 stock options to employees, which are exercisable at $0.09 for a period of 5 years. The options vest as 1/3 on the date of grant, 1/3 on the first anniversary, and 1/3 on the second anniversary.

Subsequent to year end, the Company closed two tranches of a convertible debenture financing for gross proceeds of $2,610,000. The convertible debentures mature 24 months after closing, bear interest at 12% per annum, and are convertible into common shares at a conversion price of $0.20. During the year ended November 30, 2019, the Company received $30,000 in deposits toward a subsequent convertible debenture offering (Note 4).