Christina Lake Cannabis Corp.

Condensed Interim Financial Statements

For the three months ended February 29, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

(Expressed in Canadian Dollars - Unaudited)

As at	Notes		February 29, 2020		November 30, 2019
ASSETS					
Current assets					
Cash		$	262,667	$	740,973
GST receivable			225,221		180,348
Prepaid expenses			4,519		6,130
Subscription receivable	6		-		95,005
			492,407		1,022,456
Non-current assets					
Property, plant and equipment	3		5,955,053		5,180,334
TOTAL ASSETS		**$**	**6,447,460**	**$**	**6,202,790**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	4,5	$	1,142,238	$	421,467
TOTAL LIABILITIES			1,142,238		421,467
SHAREHOLDERS' EQUITY					
Share capital	6		8,214,749		8,093,927
Obligation to issue shares	6		-		104,932
Reserves	6		652,527		539,940
Deficit			(3,562,054)		(2,957,476)
TOTAL SHAREHOLDERS' EQUITY			**5,305,222**		**5,781,323**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**6,447,460**	**$**	**6,202,790**

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

(Expressed in Canadian Dollars - Unaudited)

	Notes		Three months ended February 29, 2020		Three months ended February 28, 2019
Expenses					
Consulting fees	5	$	50,282	$	119,981
Office and miscellaneous			81,728		32,136
Professional fees	5		70,311		79,370
Rent	5		1,500		3,000
Salaries	5		269,810		111,236
Share based compensation	5,6		128,477		-
Transfer agent			2,470		16,647
Total Expenses			(604,578)		(362,370)
Loss and comprehensive loss for the year		**$**	**(604,578)**	**$**	**(362,370)**
Loss per share – basic and diluted		**$**	**(0.01)**	**$**	**(0.01)**
Weighted average number of common shares outstanding			**76,338,275**		**40,791,605**

(Expressed in Canadian Dollars - Unaudited)

		Share capital					
	Note	Number of shares #	Amount $	Obligation to issue shares $	Reserves $	Deficit $	Total $
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		-	-	-	-	(362,370)	(362,370)
Balance at February 28, 2019		**40,791,605**	**3,044,898**	**-**	**10,863**	**(1,157,534)**	**1,898,227**
Balance at November 30, 2019		**76,119,202**	**8,093,927**	**104,932**	**539,940**	**(2,957,476)**	**5,781,323**
Loss and comprehensive loss for the period		-	-	-	-	(604,578)	(604,578)
Private placements	6	604,110	120,822	(104,932)	-	-	15,890
Share based compensation	6	-	-	-	112,587	-	112,587
Balance at February 29, 2020		**76,723,312**	**8,214,749**	**-**	**652,527**	**(3,562,054)**	**5,305,222**

(Expressed in Canadian Dollars - Unaudited)

Three months ended,	February 29, 2020	February 28, 2019
Operating activities		
Net loss for the period	$ (604,578)	$ (362,370)
Non-cash items:		
Share-based compensation	128,477	-
Changes in non-cash working capital items:		
Increase in receivables	(44,873)	(10,573)
Increase in prepaid	1,611	(19,393)
Increase in accounts payable and accrued liabilities	593,000	(14,085)
Net cash flows from (used in) operating activities	73,637	(406,421)
Investing activities		
Building improvements incurred	(646,948)	(75,301)
Net cash flows used in investing activities	(646,948)	(75,301)
Financing activities		
Subscription received	95,005	154,666
Net cash flows from financing activities	95,005	154,666
Decrease in cash	(478,306)	(327,056)
Cash, beginning of period	740,973	1,311,382
Cash, end of period	**$ 262,667**	**$ 984,326**

Supplemental non-cash flow information:

Three months ended,	February 29, 2020 $	February 28, 2019 $
Building improvements in accounts payable	101,962	
Equipment additions in accounts payable	25,809	-

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 February 29, 2020 the Company had accumulated losses of $3,562,054 (2019 - $2,957,476). 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

These condensed interim financial statements were approved and authorized for issue on May 1, 2020 by the directors of the Company.

Statement of compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee.

These condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited financial statements of the Company for the year ended November 30, 2019.

Basis of presentation

These financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed interim financial statements are presented in Canadian dollars, unless otherwise noted, which is the Company's functional currency.

2. Significant accounting policies (continued)

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.

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.

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

Comparative figures

Certain comparative figures have been reclassified to conform to current year's presentation. Such reclassification is for presentation purpose only and has no effect on previously reported results.

(Expressed in Canadian Dollars - unaudited)

2. Significant accounting policies (continued)

New standards adopted

The Company adopted IFRS 16 – Leases on December 1, 2019. 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 does not have any leases, and as a result, this standard had no impact on the Company's financial statements on adoption.

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.

	Equipment	Land	Building	Building improvement	Total
	$	$	$	$	$
November 30, 2018	-	468,630	394,875	-	863,505
Additions	225,394	619,767	-	3,471,668	4,316,829
November 30, 2019	225,394	1,088,397	394,875	3,471,668	5,180,334
Additions	25,809	-	-	748,910	774,719
February 29, 2020	251,203	1,088,397	394,875	4,220,578	5,955,053

The property, plant and equipment are not yet ready for its intended use and no depreciation has been recorded for the three-month period ended February 29, 2020.

(Expressed in Canadian Dollars - unaudited)

4. Accounts payable and accrued liabilities

	February 29, 2020	November 30, 2019
Accounts payable	$ 649,437	$ 343,467
Accrued liabilities	112,801	48,000
Deposits	380,000	30,000
	$ 1,142,238	**$ 421,467**

During the three-month period ended February 29,2020 the Company received a further $350,000 in deposits, and during the year ending 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 9).

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 three-month period ended February 29, 2020 and 2019:

	February 29, 2020 $	February 28, 2019 $
Consulting fees paid to a private company controlled by the former CEO	11,275	72,000
Accounting fees paid to a private company controlled by the former CEO	9,000	-
Consulting fees paid to directors of the Company	6,250	10,500
Consulting fees paid to a private company jointly controlled by the CFO	10,500	10,500
Salaries paid to related parties	115,412	67,500
Shares issued in lieu of cash for consulting fees (Note 6)	15,890	-
	168,327	**160,500**

As at February 29, 2020, there was $90,852 (November 30, 2019 - $31,050) included in accounts payable and accrued liabilities for directors of the Company. The balance is unsecured, due on demand and are non-interest bearing.

During the three-month period ended February 29, 2019, the Company paid rent of $1,500 to a private company jointly controlled by the CFO (2019 - $3,000).

The Company entered into a departure agreement with the former CEO. Pursuant to the terms of the agreement, the Company was obligated to 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 upon entering the agreement. These shares were issued on January 27, 2020 with a fair value of $120,822. The obligation was removed and the share capital was increased accordingly, with an additional $15,890 recognized as share based compensation during the three months ended February 29, 2020 (Note 6).

6. Share Capital

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At February 29, 2020, there were 76,723,312 (November 30, 2019 - 76,119,202) issued and fully paid common shares outstanding.

Share issuances during the three-month period ended February 29, 2020

The Company entered into a departure agreement with the former CEO. Pursuant to the terms of the agreement, the Company issued 604,110 compensation shares on January 27, 2020 with a fair value of $120,822. The Company recorded an obligation to issue shares of $104,932 upon entering the agreement. The obligation was removed and the share capital was increased accordingly, with an additional $15,890 recognized as share based compensation during the three months ended February 29, 2020 (Note 5).

Share issuances during 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. These shares are subject to an escrow agreement.

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%.

(Expressed in Canadian Dollars - unaudited)

6. Share Capital (Continued)

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.

Escrow Shares

As at February 29, 2020, a total of 26,591,377securities, including 20,947,614 shares (November 30, 2019 – 5,000,000), 5,113,763 warrants (November 30, 2019 – Nil), and 530,000 stock options (November 30, 2019 – Nil), are held in escrow and will be released based on the following:

On the date on which the Company obtains a Standard Cultivation License ("License Confirmation Date"), 2,659,138 common shares will be released from escrow. The remaining 23,932,239 common shares will be released pursuant to the following schedule:

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

Pooled Shares

As at February 29, 2020, 5,000,000 common shares (November 30, 2019 – 5,000,000) 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.

(Expressed in Canadian Dollars - unaudited)

6. Share Capital (Continued)

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	16,173,549	0.31
Expired	(29,292,024)	0.30
Cancelled	(1,040,000)	0.09
Outstanding, November 30, 2019 and February 29, 2020	17,633,549	0.29

As of February 29, 2020, 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 #
December 31, 2020	0.20	5,745,000
April 26, 2020	0.20	318,000
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	100,800
December 31, 2021	0.40	2,293,799
		17,633,549

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%.

(Expressed in Canadian Dollars - unaudited)

6. Share Capital (Continued)

Stock Options

On December 13, 2019, the Company issued 1,540,000 Options to certain employees, with a fair value of $257,869, to acquire one additional common share at a price of $0.09 until December 13, 2024. The fair value of the options was determined using the Black Scholes Option Pricing Model with the following assumptions: stock price - $0.20; exercise price - $0.09; expected life – 5 year; volatility – 100%; dividend yield – $0; and risk-free rate – 1.59%. These stock options vest 33% on issue, 33% on the first anniversary and 34% on the second anniversary. For the three-months ending February 29, 2020 an amount of $112,587 was charged to operations with a corresponding credit to reserves as a result of the graded vesting terms.

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
Granted	1,540,000	0.09
Outstanding, February 29, 2020	6,620,000	0.09

As of February 29, 2020, 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
December 13, 2024	0.09	1,540,000
		6,620,000

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 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:

<u>Credit risk</u>
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.

<u>Liquidity risk</u>
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 February 29, 2020, the Company has sufficient cash of $262,667 (November 30, 2019 - $740,973) 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.

<u>Foreign exchange risk</u>
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.

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 February 29, 2020, 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. Subsequent events

Subsequent to the quarter end, the Company extended the expiry date of 6,062,500 warrants with an expiry date of September 20, 2020 to December 31, 2021.

Subsequent to the quarter end, the Company closed three tranches of a convertible debenture financing for gross proceeds of $2,715,000. 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 and during the quarter ending February 29, 2020 the Company received $350,000 in deposits toward the convertible debenture offering for net proceeds received at February 29, 2020 of $380,000 (Note 4).

Subsequent to the quarter end, the Company issued 688,500 warrants at $0.20 with an expiry date of one year.