Condensed Interim Consolidated Financial Statements

Lifted Innovations Inc.

For the three and nine months ended July 31, 2020 and 2019

(Expressed in US Dollars)

NOTICE OF NO AUDITOR REVIEW

The accompanying condensed interim consolidated financial statements for Lifted Innovations Inc. (the "Company") have been prepared by management. Pursuant to subsection 4.3(3)(a) of National Instrument 51-102 *Continuous Disclosure Requirements*, the Company advises that the accompanying condensed interim consolidated financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company's auditor. The Company's auditor has not performed a review of the accompanying condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Lifted Innovations Inc.
Condensed Interim Consolidated Statement of Loss and Comprehensive loss
(Expressed in US Dollars)

	Note	For the three months ended July 31, 2020 (unaudited)	July 31, 2019 (unaudited)	For the nine months ended July 31, 2020 (unaudited)	July 31, 2019 (unaudited)
		$	$	**$**	$
Revenue		331,381	224,730	1,186,286	756,265
Cost of sales		224,791	127,227	916,972	560,013
		106,590	97,503	269,314	196,252
Expenses					
Selling		54,372	231,892	234,717	614,150
Administrative		180,629	561,154	496,783	1,777,287
Stock-based compensation	11	-	32,937	38,035	124,755
Amortization	6,7	8,512	9,508	25,537	27,966
Foreign exchange loss		3,541	(12,020)	2,937	34,135
		247,054	823,471	798,009	2,578,293
Other income		1,001	2,258	2,958	17,445
Other expense		-	-	(5,505)	(17,995)
Finance expense		(25,102)	-	(25,102)	-
Gain on change in fair value of derivative liability		14,468	-	14,468	-
Net loss and comprehensive loss		(150,097)	(723,710)	(541,876)	(2,382,591)
Net loss per share					
Basic and Diluted		(0.00)	(0.01)	(0.01)	(0.04)
Weighted average number of outstanding common shares					
Basic and Diluted		61,315,403	61,300,000	61,300,000	61,300,000

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

Lifted Innovations Inc.
Condensed Interim Consolidated Statement of Financial Position
(Expressed in US Dollars)

	Note	Jul 31, 2020 *(unaudited)*	October 31, 2019
Assets		$	$
Current assets			
Cash		442,373	68,546
Short term investment	4	-	237,445
Trade and other receivables	5	26,538	47,830
Prepaid assets		41,235	10,424
Inventory		6,786	-
Total current assets		516,932	364,245
Non-current assets			
Property and equipment	6	3,352	5,029
Intangible assets	7	234,028	257,888
Total assets		754,312	627,162
Liabilities			
Current liabilities			
Trade and other liabilities		554,037	922,286
Promissory notes	8	40,313	-
Total current liabilities		594,350	922,286
Non-current liabilities			
Loan payable		29,825	-
Promissory notes	8	400,987	-
Derivative liability	9	419,383	-
Total liabilities		1,444,545	922,286
Shareholders' deficiency			
Share capital	11	2,933,695	2,824,963
Contributed surplus		457,528	419,493
Deficit		(4,081,456)	(3,539,580)
Total shareholders' deficiency		(690,233)	(295,124)
Total liabilities and shareholders' deficiency		754,312	627,162

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

Lifted Innovations Inc.
Condensed Interim Consolidated Statement of Changes in Shareholders' Deficiency
(Expressed in US Dollars)

	Note	Number of Common Shares		Share Capital		Contributed Surplus		Accumulated Deficit		Total
Balance as at November 1, 2019		**61,300,000**	**$**	**2,824,963**	**$**	**419,493**	**$**	**(3,539,580)**	**$**	**(295,124)**
Issuance of shares for debt settlement	11	130,749		108,732		-		-		108,732
Share-based compensation	11	-		-		38,035		-		38,035
Net loss and comprehensive loss		-		-		-		(541,876)		(541,876)
Balance as at July 31, 2020 *(unaudited)*		**61,430,749**	**$**	**2,933,695**	**$**	**457,528**	**$**	**(4,081,456)**	**$**	**(690,233)**

	Note	Number of Common Shares		Share Capital		Contributed Surplus		Accumulated Deficit		Total
Balance as at November 1, 2018		**61,300,000**	**$**	**2,824,963**	**$**	**261,802**	**$**	**(745,841)**	**$**	**2,340,924**
Share-based compensation	11	-		-		124,755		-		124,755
Net loss and comprehensive loss		-		-		-		(2,382,591)		(2,382,591)
Balance as at July 31, 2019 *(unaudited)*		**61,300,000**	**$**	**2,824,963**	**$**	**386,557**	**$**	**(3,128,432)**	**$**	**83,088**

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

Lifted Innovations Inc.
Condensed Interim Consolidated Statement of Cash Flows
(Expressed in US Dollars)

	Note	For the three month ended July 31, 2020 (unaudited)	For the three month ended July 31, 2019 (unaudited)	For the nine month ended July 31, 2020 (unaudited)	For the nine month ended July 31, 2019 (unaudited)
		$	$	$	$
CASH PROVIDED BY (USED IN):					
Operating activities					
Net Loss		(150,097)	(723,710)	(541,876)	(2,382,591)
Items not affecting cash:					
Amortization	6,7	8,512	9,508	25,537	27,966
Share based compensation	11	-	32,937	38,035	124,755
Accrued interest on short-term investment		-	-	1,830	136
Accretion on convertible debt		25,102	-	25,102	-
Gain on change in fair value of derivative liability		(14,468)	-	(14,468)	-
Unrealized foreign exchange loss		4,092	(1,299)	7,866	41,017
Cash flows used in operating activities before changes in working capital		(126,859)	(682,564)	(457,974)	(2,188,717)
Trade and other receivables		24,477	(3,774)	21,292	113,133
Prepaid assets		20,013	59,484	(30,811)	259,731
Inventory		(6,786)	(120)	(6,786)	(15,861)
Trade and other liabilities		41,223	114,788	213,625	238,308
Net cash flows used in operating activities		(47,932)	(512,186)	(260,654)	(1,593,406)
Financing Activities					
Issuance of promissory note	8	372,815	-	372,815	-
Borrowing from loan payable		29,825	-	29,825	-
Cash flows from financing activities		402,640	-	402,640	-
Investing activities					
Additions to property and equipment	6	-	-	-	(6,705)
Additions to intangible assets	7	-	-	-	(8,000)
Redemption of short term investment		-	436,943	231,841	1,627,666
Cash flows provided by investing activities		-	436,943	231,841	1,612,961
NET INCREASE IN CASH		354,708	(75,244)	373,827	19,555
CASH, BEGINNING OF THE PERIOD		87,665	183,031	68,546	88,233
CASH, END OF THE PERIOD		$ 442,373	$ 107,788	$ 442,373	$ 107,788
Non-cash transactions:					
Issuance of shares for settlement of trade and other liabilities		108,732	-	108,732	-
Issuance of promissory notes for settlement of trade and other liabilities		473,142	-	473,142	-

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

1. CORPORATE INFORMATION

Lifted Innovations Inc. (formerly Lifted Cannabis) ("Lifted" or the "Company"), a company incorporated under the laws of Canada on February 27, 2018, is an e-commerce business that distributes vaporizers and accessories for aromatherapy and other purposes. Lifted is an entity formed under the Canada Business Corporations Act. The Company's fiscal year end is October 31.

The Company's registered office is at 550 Burrard St #2300, Vancouver, British Columbia V6C 2B5.

These consolidated financial statements were approved and authorized by the Board of Directors of the Company on September 28, 2020.

Recent development

On May 18, 2020, the Company entered into a binding letter agreement with Kootenay Zinc Corp. ("Kootenay), Canndora Delivery Limited ("Canndora") and Greeny Collaboration Group (Canada) Inc. ("Greeny") to effect a proposed business combination, which would result in a reverse takeover and change of business of Kootenay, with the resulting issuer continuing as a combination of the businesses of the Company, Canndora and Greeny (the "Transaction"). On May 19, 2020, the Company signed a binding letter agreement with Kootenay.

On June 27, 2020, the Company announced that Kootenay has formally commenced an offer supported by the board of directors of the Company to acquire all the issued and outstanding shares of the Company and all of the issued and outstanding options to acquire the Company's shares. Shareholders and optionholders of the Company will be entitled to receive one common share of PeakBirch Logic Inc. ("PeakBirch") for each share held and one option to acquire one PeakBirch share for each option held. Kootenay will be renamed "PeakBirch Logic Inc." upon closing of the Transaction and has applied to have the PeakBirch shares ("PeakBirch Shares") listed on the Canadian Securities Exchange ("CSE").

On September 8, 2020, the Transaction was completed. On September 10, 2020, PeakBirch Shares resumed trading on the CSE under the symbol "PKB".

COVID-19 outbreak

Since year ended October 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread international health crisis that has materially affected economies and financial markets, resulting in the rapid onset of an economic downturn. This unprecedented pandemic may result in, among other things, supply chain issues, transportation delays, changes in customer demand for the Company's products, increased government regulations or interventions, and ongoing economic uncertainty, all of which may negatively impact the business, financial condition or results of operations of the Company. The Company continues to monitor COVID-19 developments but since the duration and impact of the COVID-19 pandemic is unknown at this time, it is not possible to reliably estimate the length of the outbreak or the severity of its impact at this time.

2. BASIS OF PRESENTATION

Basis of consolidation

The consolidated financial statements include the accounts of Lifted Innovations Inc. and its wholly owned subsidiary, Lifted Technology Inc. ("Lifted Tech"). Lifted Tech was incorporated under the laws of the state of Delaware on June 5, 2018, and is an e-commerce business that distributes vaporizers and accessories for aromatherapy and other purposes. Lifted Tech an entity formed under the General Corporation Law of the State of Delaware. Lifted Tech's fiscal year end is October 31.

These unaudited interim financial statements of the Company, for the three and nine months ended July 31, 2020 and 2019, have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the consolidated financial statements for the period from the date of incorporation on February 27, 2018 to October 31, 2018 and year ended October 31, 2019.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Wholly-owned subsidiaries are entities controlled by the Company and where the parent owns 100% of the shares. The financial statements of wholly-owned subsidiaries are included in the Company's consolidated financial statements from the date that control commences until the date that control ceases.

All intercompany balances and transactions, and any revenues and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

2. BASIS OF PRESENTATION (continued)

Presentation and Functional Currency

The consolidated financial statements are presented in US Dollars. The functional currency of Lifted Innovations Inc. and its wholly-owned subsidiary Lifted Tech. is the US Dollar.

Foreign currency transactions that are in a different currency than the functional currency are recorded at the exchange rate as at the date of the transaction. At the end of each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. Gains and losses on transaction are included in the profit and loss.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis, except as detailed in the accounting policies notes.

Significant Accounting Judgments and Estimates

The preparation of these condensed interim consolidated financial statements require management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

In particular information about significant areas of estimation uncertainty and judgment considered by management in preparing the consolidated financial statements includes:

<u>Areas of significant management judgment:</u>

- *Useful lives of intangible assets*
  The determination of the useful lives of the Company's intangible assets is a matter of judgment. Future earnings would be affected if actual useful lives differ from those estimated by the Company.

- *Expected credit loss*
  In calculating the expected credit loss on financial instruments, management is required to make a number of judgments including the probability of possible outcomes with regards to credit loss, the discount rate to use for time value of money and whether the financial instrument's credit risk has increased significantly since initial recognition

- *Income taxes*
  Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Because the Company is in a loss position, it has not recognized the value of any deferred tax assets in its statement of financial position.

- *Functional currency*
  The determination of functional currency is a matter of judgement. Some of the Company's transactions are denominated in foreign currencies. The majority of the Company's revenues and expenditures are in United States dollars. Management has assessed the functional currency as United States dollars.

- *Contingencies*
  Management uses judgement to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgement to assess the likelihood of the occurrence of one or more future events.

- *Going concern risk assessment*
  The assessment of the Company's ability to continue as a going concern involves significant judgment based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

2. BASIS OF PRESENTATION (continued)

Sources of estimation uncertainty:

- *Share-based compensation*
  The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the fair value of the Company's common shares, expected life of the share option, forfeiter rate, volatility and dividend yield and making assumptions about them.

- *Business combinations*
  Management uses valuation techniques in determining the fair values of the various elements of a business combination. The determination of fair value of identifiable intangible assets, in particular, requires the use of significant estimates and assumptions.

- *Expected credit loss*
  The Company calculates expected credit loss ("ECLs") for trade receivables based on the historical default rates over the expected life of the trade receivable and adjusts for forward looking estimates, which is determined through the exercise of judgment. The Company's ECL model relies on forward looking information and economic inputs, such as default rates, industry growth rate, geography etc. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment. The allowance the Company records, if any, is the sum of these probability weighted outcomes.

- *Impairment of non-current assets*
  In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Impairment of intangible assets with indefinite lives are assessed for impairment on an annual basis. This assessment takes into account factors such as economic and market conditions as well as any changes in the expected use of the asset.

  Management assesses property and equipment, as well as in use intangible assets with finite lives for any indicators of impairment annually. The assessment for indicators of impairment is dependent upon estimates of recoverable amounts that take in account factors such as economic and market conditions, as well as the useful lives of assets.

Going concern

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

At July 31, 2020, the Company had cash of $442,373 (October 31, 2019 - $68,546), negative working capital of $77,418 (October 31, 2019 – negative working capital of $558,041) and had negative cash flows from operating activities of $457,974 (year ended October 31, 2019 - $1,760,816). The Company incurred a net loss of $541,876 for the nine month period ended July 31, 2020 (nine month period ended July 31, 2019 - $2,382,591) and as of that date had an accumulated deficit of $4,081,456 (October 31, 2019 - $3,539,580).

The above factors indicate material uncertainties, which may cast significant doubt about the Company's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

The ability of the Company to continue as a going concern is dependent on generating profitable operations, raising additional financing, and developing its products and services. The Company is not yet generating positive cash flows from operations. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favorable to the Company. Failure to obtain additional financing or generate profitable operations, results in material uncertainties that cast significant doubt as to the Company's ability to continue to operate as a going concern.

2. BASIS OF PRESENTATION (continued)

Going concern (continued)

These financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate and such adjustments could be material.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Beginning on November 1, 2019, the Company adopted certain International Financial Reporting Standards ("IFRS") and amendments. As required by IAS 34 Interim Financial Reporting and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the nature and the effect of these changes are disclosed below:

Conceptual Framework
Beginning November 1, 2019, the Company adopted the revised Conceptual Framework for Financial Reporting ("revised conceptual framework"). The revised conceptual framework does not constitute a substantial revision from the previously effective guidance, but does provide additional guidance on topics not previously covered such as presentation and disclosure. The adoption of the revised conceptual framework did not have a material impact on the consolidated financial statements.

Definition of a Business

Beginning November 1, 2019, the Company adopted the IASB amendment regarding the definition of a business under IFRS 3 Business Combinations. This amendment narrowed and clarified the definition of a business, as well as permitted a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The adoption of the amendment to IFRS 3 did not have a material impact on the consolidated financial statements.

4. SHORT TERM INVESTMENTS

Short-term investments consist of cashable guaranteed investment certificates maturing May 2020 and bearing interest of 1.8%. $78,000 of the guaranteed investment certificate has been pledged as collateral for use of corporate credit cards. During the period ended July 31, 2020, the Company has redeemed the entire balance of the cashable guaranteed investment certificates. The Company has recorded interest income of $Nil and $2,958 for the three and nine months ended July 31, 2020 (three and nine months ended July 31, 2019 - $2,258 and $17,445).

5. TRADE AND OTHER RECEIVABLES

As at July 31, 2020, included in trade and other receivables is a sales tax recoverable of $25,262 (October 31, 2019 - $28,618), trade receivables of $Nil (October 31, 2019 - $Nil) and other receivables of $1,276 (October 31, 2019 - $19,212). The Company has $Nil loss allowance or write-off as at July 31, 2020 (October 31, 2019 – write-off of $18,629).

(Expressed in US Dollars)

6. PROPERTY AND EQUIPMENT

	Computer Equipment $
Costs	
As at November 1, 2018	-
Additions	6,705
As at October 31, 2019	6,705
Additions	-
As at July 31, 2020 *(unaudited)*	6,705
Accumulated depreciation and impairment	
As at November 1, 2018	-
Amortization	1,676
As at October 31, 2019	1,676
Amortization	1,677
As at July 31, 2020 *(unaudited)*	3,353
Net carrying value	
As at November 1, 2018	-
As at October 31, 2019	5,029
As at July 31, 2020 *(unaudited)*	3,352

7. INTANGIBLE ASSETS

	Customer List $	Internet Domain Names $	Total $
Costs			
As at November 1, 2018	178,992	138,913	317,905
Additions	-	8,000	8,000
Impairment	-	(9,845)	(9,845)
As at October 31, 2019	178,992	137,068	316,060
Additions	-	-	-
As at July 31, 2020 *(unaudited)*	178,992	137,068	316,060
Accumulated depreciation and impairment			
As at November 1, 2018	22,374	-	22,374
Amortization	35,798	-	35,798
Impairment	-		-
As at October 31, 2019	58,172	-	58,172
Amortization	23,860	-	23,860
As at July 31, 2020 *(unaudited)*	82,032	-	82,032
Net carrying value			
As at November 1, 2018	156,618	138,913	295,531
As at October 31, 2019	120,820	137,068	257,888
As at July 31, 2020 *(unaudited)*	96,960	137,068	234,028

(Expressed in US Dollars)

8. PROMISSORY NOTES

June 15 first note

On June 15, 2020, the Company issued a convertible promissory note to a third party vendor in a principal amount of $268,900 Canadian Dollars (equivalent to US$194,855) in lieu of fee payable for certain consulting services provided by the vendor to the Company in the past (the "June 15 first note"). The fee payable was previously included as part of "Trade and other liabilities" in the consolidated statement of financial position. The June 15 first note is non-interest bearing, convertible any time prior to the maturity date and will mature in 18 months from the effective date, unless such maturity date is otherwise shortened due to the occurrence of an accelerated maturity event, which is defined as the completion of an offering by the Company of common shares with gross proceeds of at least $2 million, provided that the Company is at the time of such offering a reporting issuer in at least one province in Canada and such common shares are listing for trading on a recognized stock exchange in Canada. The June 15 first note is convertible at a conversion price equals to the fair market value per common share determined by (i) agreement between the vendor and the Company if the Company's shares are not listed on a recognized stock exchange; or (ii) the 20 trading day volume weighted average price of the common share of the Company if the Company is listed and trading on a recognized stock exchange ("FMV").

June 15 second note

On June 15, 2020, the Company issued a promissory note to a third party vendor in a principal amount of $377,555 (equivalent to US$273,591) Canadian Dollars in lieu of fee payable for certain consulting services provided by the vendor to the Company in the past (the "June 15 second note"). The fee payable was previously included as part of "Trade and other liabilities" in the consolidated statement of financial position. The June 15 second note will be settled as follows:

(a) the sum of $90,000 Canadian Dollars will be settled in cash in 18 equal monthly instalments of $5,000 Canadian Dollars commencing on the first calendar month after the earlier of (i) closing date of the anticipated business combination with Kootenay; and (ii) 90 days from the effective date of the June 15 second note, and thereafter on the first business day of each calendar month until the $90,000 Canadian Dollars is repaid in full; and
(b) the sum of $287,554 will be convertible with terms substantially identical to those under the June 15 first note.

June 19 note

On June 19, 2020, the Company issued to a related party a convertible promissory note in the principal amount of $500,000 Canadian Dollars (equivalent to US$374,501) (the "June 19 note"). The June 19 note is secured, non-interest bearing and convertible any time prior to the maturity date of 18 months from the effective date. The June 19 note is convertible into common shares of the Company at a conversion price of 80% of the FMV per common share of the Company.

The following is a summary of the movement of the promissory notes during the period ended July 31, 2020 and year ended October 31, 2019.

	Total **$**
Balance, November 1, 2018 and October 31, 2019	-
Amounts issued	842,947
Less: allocated to derviative liability *(note 9)*	(429,566)
Accretion	25,102
Exchange realignment	2,817
Balance, July 31, 2020 *(unaudited)*	441,300
Less: current portion	(40,313)
Amounts classified as non-current portion	400,987

(Expressed in US Dollars)

9. DERIVATIVE LIABILITY

June 15 first note and June 15 second note

The June 15 first note and the convertible portion of the June 15 second note (see *Note 8*) can be converted at the option of the holders at a conversion price equals to the FMV. As the conversion price depends on the fair market value at this time of conversion, there is variability in the number of shares issued. Therefore, the Company has classified this instrument as a derivative liability.

June 19 note

The June 19 (see *Note 8*) can be convertible into common shares of the Company at a conversion price of 80% of the FMV per common share of the Company. As the conversion price depends on the fair market value at this time of conversion, the is variability in the number of shares issued. Therefore, the Company has classified this instrument as a derivative liability.

The Company used the Black-Scholes model to estimate the fair value of the derivative liability with respect to the June 15 first note, June 15 second note and June 19 note at each reporting date. The following assumptions were used:

As at July 31, 2020 *(unaudited)*	
Volatility	100%
Risk-free interest rate	0.23%
Expected life (years)	1.38 years
Dividend yield	Nil
Share price	C$1.15 (US$0.86)

The following is a summary of the movement in derivative liability for the period ended July 31, 2020 (unaudited) and the year ended October 31, 2019:

	Total **$**
Balance, November 1, 2018 and October 31, 2019	-
Initial recognition at issuance *(note 8)*	429,566
Fair value adjsutment during the period	(14,467)
Exchange realignment	4,284
Balance, July 31, 2020 *(unaudited)*	419,383

10. RELATED PARTY TRANSACTIONS

Key management includes the Company's directors, senior officers and any employees with authority and responsibility for planning, directing, and controlling the activities of an entity, directly or indirectly.

Compensation, Key Executives

	For the three months ended July 31, 2020 *(unaudited)* **$**	**For the three months ended July 31, 2019** *(unaudited)* **$**	**For the nine months ended July 31, 2020** *(unaudited)* **$**	**For the nine months ended July 31, 2019** *(unaudited)* **$**
Short-term compensation	-	21,618	-	107,071
Share-based compensation	-	616	20,222	62,000
	-	22,234	20,222	169,071

As at July 31, 2020, included in trade and other liabilities was $Nil owing to a company controlled by a director (October 31, 2019 - $10,000) for consulting fees incurred of $22,500 and $55,500 for the three and nine months ended July 31, 2020 (three and nine months ended July 31, 2019 - $Nil and $Nil).

(Expressed in US Dollars)

11. SHARE CAPITAL

Authorized share capital

The Company has authorized for issuance an unlimited number of common shares. At July 31, 2020, the Company had 61,430,749 common shares issued and outstanding, with no par value.

Issuance of Shares

	Number of Shares	Net Proceeds $
Balance as at November 1, 2018 and October 31, 2019	**61,300,000**	**2,824,963**
Issued for settlement of trade and other liabilities	130,749	108,732
Balance as at July 31, 2020 *(unaudited)*	**61,430,749**	**2,933,695**

On June 18, 2020, the Company issued 130,749 shares at $1.15 Canadian Dollars per share to a third party vendor and a company controlled by a director of the Company, in lieu of fee payables of $108,732 (equivalent to $150,050 Canadian Dollars).

Stock Options

The Company has established a stock option plan for directors, employees, and consultants. Under the Company's stock option plan, the exercise price of each option is determined by the Board. The aggregate number of common shares issuable pursuant to options granted under the plan is 6,143,074 common shares, being 10% of the Company's issued common shares under the plan. The board of directors has the exclusive power over the granting of options and their vesting and cancellation provisions.

Options Outstanding

The following is a summary of the changes in the Company's stock option plan for the period ended July 31, 2020 *(unaudited) and* the year ended October 31, 2019:

	Number of Options	Weighted average exercise price (CAD) $
Outstanding, November 1, 2018	**3,400,000**	**0.29 (US$0.21)**
Granted	3,030,000	0.20 (US$0.15)
Exercised	-	-
Forfeited	(2,680,000)	0.31 (US$0.23)
Outstanding, October 31, 2019 and July 31, 2020 *(unaudited)*	**3,750,000**	**0.21 (US$0.16)**

There were no grant or forfeiture of options during the period end July 31, 2029 (one grant and nine forfeiture of options during the year ended October 31, 2019).

- On July 31, 2019, 3,030,000 options were issued at an exercise price of C$ 0.20 ($0.15).
- During the year ended October 31, 2019, 2,680,000 options with a weighted average exercise price of C$ 0.31 ($0.23) and with a life of 5 years were forfeited.

All options granted during the period ended October 31, 2018 vest over two years with one-third vesting immediately, one-third after one year, and the remaining after two years.

All options granted during the year ended October 31, 2019 vest over 5 months with one-half vesting immediately and the remaining after 5 months.

No options were granted during the nine months ended July 31, 2020 and the amount recognized as share-based compensation in the statement of loss and comprehensive loss was $Nil and $38,035 for the three and nine months ended July 31, 2020 (three and nine months ended July 31, 2019 - $32,937 and $124,755).

(Expressed in US Dollars)

11. SHARE CAPITAL (continued)

Options Exercisable

The following are summaries of the exercisable stock options for period ended July 31, 2020 *(unaudited)* and year ended October 31, 2019:

Weighted average exercise price	Number of Options	Vested	Weighted average remaining life (years)
$0.20 (US$0.14)	3,650,000	3,650,000	3.30
$0.50 (US$0.36)	100,000	100,000	2.81
Balance as at July 31, 2020 *(unaudited)*	**3,750,000**	**3,750,000**	**3.29**

Weighted average exercise price	Number of Options	Vested	Weighted average remaining life (years)
$0.20 (US$0.15)	3,650,000	3,000,000	4.05
$0.50 (US$0.38)	100,000	66,667	3.56
Balance as at October 31, 2019	**3,750,000**	**3,066,667**	**4.04**

Black-Scholes assumptions for options

The assumptions used for the calculation of the fair value of the options are as follows:

	2020	2019
Volatility	**N/A**	100%
Risk-free interest rate	**N/A**	1.46%
Expected life (years)	**N/A**	5 years
Dividend yield	**N/A**	Nil
Share price	**N/A**	C$0.1 (US$0.08)

Volatility is calculated by using the historical volatility of other public companies that the Company considers comparable that have trading and volatility history. The expected life in years represents the time that the options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

12. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

Financial instruments that are measured at fair value use inputs which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level One includes quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level Two includes inputs that are observable other than quoted prices included in Level One; and
- Level Three includes inputs that are not based on observable market data.

As at July 31, 2020 *(unaudited)* and October 31, 2019, both the carrying and fair value amounts of all the Company's financial instruments are approximately equivalent due to their short-term nature. Cash and short term investments are classified under the fair value hierarchy as Level One.

Financial Instruments – Risk Management

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash, short term investments and trade and other receivables (excluding sales tax receivable). Management believes credit risk with respect to its financial instruments is minimal. The Company's maximum exposure to credit risk as at July 31, 2020 *(unaudited)* and October 31, 2019 is the carrying value of cash, short term investments and trade and other receivables. Credit risk on cash and short-term investments are mitigated as it is held in a Tier 1 financial institution.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations. The Company manages its liquidity risk by forecasting it operations and anticipating its operating and investing activities. All amounts in current liabilities as at July 31, 2020 *(unaudited)* and October 31, 2019 are due within 12 months.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices and specifically to foreign currency risk.

Foreign currency risk

The Company holds cash and short-term investments denominated in Canadian Dollars. The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates and the degree of volatility in these rates due to the timing of settlement of their trade and other liability balances. This risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Below is a list of all financial instruments in their base currency at face value:

	July 31, 2020 *(unaudited)* **$**	**October 31, 2019** **$**
Cash - CAD	552,309	6,397
Short term investment - CAD	-	312,468
Trade and other receivables - CAD	41,150	41,196
Trade and other liabilities - CAD	(47,560)	(736,139)
Promissory notes - CAD	(1,146,455)	-

An increase or decrease of 10% change in the US exchange rate would impact net loss by approximately $44,779 for the period ended July 31, 2020 (October 31, 2019 - $28,578).

(Expressed in US Dollars)

12. CAPITAL MANAGEMENT

The Company's objective in managing capital is to ensure a sufficient liquidity position to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company defines capital as shareholders' equity. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

13. SEGMENTED DISCLOSURE

Revenues and total assets by country:

	United States	Other	Total
	$	$	$
For the period ended July 31, 2020 *(unaudited)*			
Net revenue	1,178,841	7,445	1,186,286
As at July 31, 2020 *(unaudited)*			
Total assets	47,842	706,470	754,312
For the year ended October 31, 2019			
Net revenue	1,103,179	16,416	1,119,595
As at October 31, 2019			
Total assets	78,961	548,201	627,162

14. SUBSEQUENT EVENTS

On September 8, 2020, the Transaction was completed. On September 10, 2020, PeakBirch Shares resumed trading on the CSE under the symbol "PKB" (See *Note 1* for details).