CABBAY HOLDINGS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of
Cabbay Holdings Corp.

Opinion

I have audited the consolidated financial statements of Cabbay Holdings and its subsidiary (together, the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statement of loss and comprehensive loss, consolidated statement of cash flows and consolidated statement of changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern

I draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $558,629 during the year ended December 31, 2019 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of $1,702,278 since its inception, and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Other Information
Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

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

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I are required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
My objectives are to obtain reasonable assurance about whether the consolidated 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:
• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

The engagement practitioner on the audit resulting in this independent auditor's report is Sam S. Mah, CPA, CA.

"Sam S. Mah Inc."

Chartered Professional Accountant

Suite 2001 – 1177 West Hastings Street
Vancouver, BC, Canada V6E 2K3
June 15, 2020

CABBAY HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

	As at December 31, 2019	As at December 31, 2018
ASSETS		
Current		
Cash	$ 53	$ 40,250
Accounts receivable, net (Note 4)	-	-
Advances	23,764	18,044
GST receivable	20,971	23,889
Prepaid expenses	51,869	12,000
	96,657	94,183
Non-Current		
Other receivable (Note 4)	1	1
Property, plant and equipment (Note 5, Note 9)	-	10,840
License costs (Note 6)	237,899	259,050
	334,557	364,074
LIABILITIES		
Current		
Accounts payable and accrued liabilities	46,667	60,741
Loans payable (Note 8)	39,319	93,638
Due to related parties (Note 11)	37,204	12,553
Lease liability (Note 9)	-	1,000
	123,190	167,932
Non-Current		
Loans payable (Note 8)	56,000	-
Convertible notes (Note 10, Note 11)	56,148	-
	235,338	167,932
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	1,608,675	1,184,675
Subscriptions received (Note 12)	-	1,000
Contributed surplus (Note 12)	180,250	154,116
Equity component of convertible debenture (Note 10)	12,572	-
Deficit	(1,702,278)	(1,143,649)
Total equity	99,219	196,142
	$ 334,557	$ 364,074

Nature and continuance of operations (Note 1)

Approved by the directors:

"Doug Unwin" "*Derick Sinclair*"

CABBAY HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Year ended December 31, 2019	Year ended December 31, 2018
Expenses:		
Accounting and audit fees (Note 11)	$ 33,625	$ 29,500
Consulting fees (Note 11)	147,238	151,174
Depreciation (Note 5)	340	1,068
Finance fee (Note 11, Note 14)	125,000	-
Interest and bank charges (Note 8, Note 10)	12,331	11,701
Legal fees	100	16,953
Management fees (Note 11)	72,000	94,850
Marketing	4,500	-
Office and administration	5,604	17,137
Research and development (Note 7, Note 11)	10,000	-
Share-based compensation (Note 12)	26,134	60,152
Transfer agent and filing fees	9,249	16,736
Travel	6,118	15,332
Wages (Note 11)	22,500	18,750
Total expenses	(474,739)	(433,353)
Maintenance fee, net (Note 4)	-	-
Assumption of debt (Note 8)	-	(4,179)
Loss on conversion of long-term debt (Note 8, Note 11, Note 12)	-	(17,268)
Loss on conversion of long-term debt (Note 11)	-	(4,063)
Loss on termination of lease (Note 9)	(9,500)	-
Write-off of deposit (Note 18)	-	(25,000)
Write-off of expense advances	-	(200)
Write-off of license costs (Note 6)	(74,390)	-
Net loss and comprehensive loss for the year	$ (558,629)	$ (484,063)
Loss per share – Basic and diluted	$ (0.05)	$ (0.05)
Weighted average number of common shares outstanding	12,190,087	10,187,460

CABBAY HOLDINGS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended December 31, 2019	Year ended December 31, 2018
Operating Activities		
Net loss for the year	$ (558,629)	$ (484,063)
Items not involving cash:		
Depreciation	340	1,068
Finance fee	125,000	-
Accrued interest and accretion on convertible notes	3,719	-
Share-based compensation	26,134	60,152
Assumption of debt	-	4,179
Loss on conversion of long-term debt	-	17,268
Loss on conversion of long-term debt	-	4,063
Loss on termination of lease	9,500	-
Write-off of deposit	-	25,000
Write-off of expense advances	-	200
Write-off of license costs	74,390	-
	(319,546)	(372,133)
Changes in non-cash working capital item related to operations:		
Advances	(5,720)	(15,190)
GST receivable	2,918	(23,889)
Prepaid expenses	(39,869)	(37,000)
Subscriptions receivable	-	200
Accounts payable and accrued liabilities	142,678	40,071
Cash from operating activities	(219,539)	(407,941)
Investing Activities		
Acquisition of property, plant and equipment	-	(9,500)
Investment in ACMPR license	(53,239)	(259,050)
	(53,239)	(268,550)
Financing Activities		
Proceeds from issuance of common shares	113,000	681,411
Share subscriptions received	-	1,000
Change in due to related parties	117,901	(15,422)
Change in loans payable	1,680	-
Cash provided by financing activities	232,581	666,989
Increase in cash during the year	(40,197)	(9,502)
Cash, beginning of the year	40,250	49,752
Cash, end of the year	$ 52	$ 40,250

Supplemental cash flow information (Note 17)

CABBAY HOLDINGS CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital $	Subscriptions Received $	Contributed Surplus $	Equity component of convertible debt $	Deficit $	Total $
Balance, December 31, 2017	7,854,624	442,041	-	54,918	-	(659,586)	(162,627)
			-		-		
Units issued for cash	2,827,641	672,715	-	34,196	-	-	706,911
Conversion of debt to units (Note 8, Note 11)	401,075	95,419	-	4,850	-	-	100,269
Less: Share issuance costs	-	(25,500)	-	-	-	-	(25,500)
Subscriptions received	-	-	1,000	-	-	-	1,000
Share-based compensation	-	-	-	60,152	-	-	60,152
Loss for the year	-	-	-	-	-	(484,063)	(484,063)
					-		
Balance, December 31, 2018	11,083,340	1,184,675	1,000	154,116	-	(1,143,649)	196,142
Shares issued for cash	456,000	114,000	(1,000)	-	-	-	113,000
Conversion of debt to shares (Note 11)	740,000	185,000	-	-	-	-	185,000
Finance fee on line of credit (Note 14)	500,000	125,000	-	-	-	-	125,000
Share-based compensation	-	-	-	26,134	-	-	26,134
Convertible debt (Note 10)	-	-	-	-	12,572	-	12,572
Loss for the year	-	-	-	-	-	(558,629)	(558,629)
					-		
Balance, December 31, 2019	12,779,340	1,608,675	-	180,250	12,572	(1,702,278)	99,219

1. Nature of Operations

Cabbay Holdings Corp. (the "Company") was incorporated on March 6, 2016 under the BC Business Corporations Act as a wholly-owned subsidiary of Tower One Wireless Corp. (formerly Pacific Therapeutics Inc.) ("PT"), a public company the common shares of which trade on the Canadian Securities Exchange ("CSE"). The head office of the Company is located at 1735 555 Burrard St. Vancouver, BC V7X 1M9. The registered and records office of the Company is located at the same address. The Company is a development stage company and its wholly owned subsidiary has leased 5 acres of land on the Enoch First Nation lands for the cultivation of cannabis. The lease has been terminated. In addition, the Company holds an agreement with ForwoRx Therapeutics Inc. for further commercialization of PT's technology focused on repurposing and reformulating existing approved drugs as well as developing proprietary drug technologies from late stage pre-clinical testing through phase 2 clinical trials.

The Company has been engaged in improving its balance sheet and seeking additional business opportunities, primarily related to the cultivation, marketing and/or distribution of medicinal cannabis and cannabis products for recreational purposes.

On March 26, 2018, the Issuer incorporated a British Columbia corporation Alta-Sun Samson Holdings Corp. (Alta-Sun). Alta-Sun will pursue the licensing, construction and operation of a cannabis growing facility. Given the current financial markets lack of interest in financing cannabis cultivation operations, and the lessor not meeting its obligations under the lease, Alta-Sun has terminated lease of 5 acres of Enoch First Nation's land for the cultivation of cannabis. Alta-Sun prepared an application for a standard cultivation license under the Cannabis Act for the terminated location. This application may be transferred to a new location with little updating.

Going Concern

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2019, the Company has no source of revenue, does not generate cash flows from operating activities other than a $50,000 annual maintenance fee from ForwoRx included in the asset purchase agreement with ForwoRx (Note 4). The Company had a net loss for the year ended December 31, 2019 of $558,629 (2018: $484,063) and an accumulated deficit since inception at December 31, 2019 of $1,702,278 (2018: $1,143,649).

The Company is subject to risks and uncertainties common to drug discovery companies, including technological change, potential infringement on intellectual property of and by third parties, new product development, regulatory approval and market acceptance of its products, activities of competitors and its limited operating history. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. Statement of Compliance and Basis of Presentation

(a) Statement of Compliance

These consolidated financial statements of the Company for the years ended December 31, 2019 and 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements were approved and authorized for issue by the board of directors on June 15, 2020.

(b) Basis of Presentation

These consolidated financial statements were prepared on a historical cost basis, except for financial instruments 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. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

(c) Principles of consolidation

The consolidated financial statements include the financial statements of the Company and the following subsidiary:

Alta-Sun Samson Holdings Corp.	(100% owned)

All intercompany transactions, balances, revenue and expenses are eliminated on consolidation.

3. Significant Accounting Policies

(a) Use of Estimates

The Company makes estimates and assumptions about the future that affect the reported amount of assets and liabilities. Estimates and assumptions are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is measured prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions, relate to, but are not limited to, the following:

3. Significant Accounting Policies (continued)

Estimates:

Share-based payments and compensation

The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration. Shares are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services.

The Company measures the cost of equity-settled transactions with employees, directors, officers and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimated 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 underlying common shares, the expected life of the share option, volatility and dividend yield and making assumptions about them. The fair value of the underlying common shares is assessed as the most recent issuance price per common share for cash proceeds. The assumptions and models used for estimating fair value for share-based payment transactions are discussed in Note 12.

Deferred income tax

The assessment of the probability of future taxable income for which deferred tax assets can be utilized is based on the Company's estimates of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances (see Note 13).

Judgments:

Going Concern

The assumption is that the Company is a going concern and will continue into the foreseeable future. The factors considered by management are disclosed in Note 1.

Intangible assets

The carrying value and recoverable amount of intangible assets.

3. Significant Accounting Policies (continued)

Revenue Recognition

The Company applies the five-step model to contracts when it is probable that the Company will collect the consideration that it is entitled to in exchange for the goods and services transferred to the customer. For collaborative arrangements that fall within the scope of IFRS 15, the Company applies the revenue recognition model to part or all of the arrangement, when deemed appropriate. At contract inception, the Company assesses the goods or services promised within each contract that falls under the scope of IFRS 15, to identify distinct performance obligations. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when or as the performance obligation is satisfied. Significant judgement is involved in determining whether the transaction price allocated to the license fee should be recognized over the collaboration period or at the inception of the contract and the time period over which revenue is to be recognized.

Collectability of the annual maintenance fee from ForwoRX, as discussed in Note 4.

(b) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

(c) Property, plant and equipment

Property, plant and equipment is recorded at cost. Amortization is provided on a declining balance basis based on management's estimate of the useful life and residual value:

Computer equipment	55%

In the year of acquisition only one-half the normal rate is applied.

(d) Intangible assets

Finite life intangible assets are comprised of Access to Cannabis for Medical Purposes ("ACMPR") licensing application and other items which are recorded at cost less accumulated amortization and accumulated impairment losses. The estimated useful life and amortization method are reviewed at the end of each reporting period, and the effects of any changes are reported on a prospective basis.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

(e) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any

3. Significant Accounting Policies (continued)

indication that the asset may be impaired. If there is any indication the asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is measured as the higher of an asset's or cash generating unit's fair value less costs to sell and value in use. If the recoverable amount of an asset or cash generating unit is less than its carrying amount, the carrying amount of the asset is reduced to its fair value with the loss recognized in income or loss.

(f) Leases

IFRS 16 introduces a single lessee accounting model and requires lessees to recognize assets and liabilities for all leases, except when the term is 12 months or less or when the underlying asset has a low value. The Company recognizes a right-of-use asset and a lease liability for its leases with lease terms greater than one year. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured as the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot readily be determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is remeasured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, of the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

(g) Loss per share

Basic loss per share is calculated based on the weighted average number of shares outstanding during the period. The treasury stock method is used for determining the dilutive effect of options and warrants issued in calculating the diluted earnings per share. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants, and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the year ended December 31, 2019, this calculation proved to be anti-dilutive and therefore diluted per share amounts do not differ from basic per share amounts.

(h) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

3. Significant Accounting Policies (continued)

(i) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related amount in contributed surplus is transferred to share capital. Charges for options that are forfeited before vesting are reversed from share-based payments reserve. For those options that expire or are forfeited after vesting, the recorded value is transferred to deficit.

(j) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

(k) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI"), or through profit or loss), and
- Those to be measured after initial recognition at amortized cost.

The classification depends on the Company's business model for managing the financial assets and contractual terms of the cash flows. For assets measured at fair value, gains or losses are recorded in profit or loss or OCI.

3. Significant Accounting Policies (continued)

The Company has classified its cash at fair value through profit or loss. The company's GST receivable and advances are held at amortized cost.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. These are the measurement categories under which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.
- Fair value through OCI ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period which it arises.

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 risk 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 income (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.

3. Significant Accounting Policies (continued)

Financial Liabilities

The Company classifies its financial liabilities into the following categories: financial liabilities at FVTPL and amortized cost.

A financial liability is classified as FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized costs are recognized in profit or loss as incurred. The fair value changes to financial liabilities at FVTPL are presented as follows: the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and the remaining amount of the change in the fair value is presented in profit or loss. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest rate method. The Company classifies its accounts payable and accrued liabilities, loans payable, due to related parties, lease liability and convertible notes as financial liabilities held at amortized cost.

The adoption of IFRS 9 did not impact the carrying value of any financial asset or financial liability on the transition date. The table below illustrates the change in classification of the Company's financial instruments under IAS 39 and IFRS 9.

Line Item	IFRS9	IAS 39	
	New Classification	Original Classification	Measurement Model
Cash	FVTPL	FVTPL	FVTPL
Advances	FVTPL	FVTPL	FVTPL
Other receivables	Amortized cost	Loans and receivables	Amortized cost
Due to related parties	Amortized cost	Other liabilities	Amortized cost
Accounts payable and other accrued liabilities	Amortized cost	Other liabilities	Amortized cost
Loans payable	Amortized cost	Other liabilities	Amortized cost
Long term debt	Amortized cost	Loans and receivables	Amortized cost

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction.

The Company uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the

3. Significant Accounting Policies (continued)

more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the share issuance date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible notes due from related parties that can be converted to shares at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

4. Asset Purchase Agreement

The Company holds rights associated with a definitive Asset Purchase Agreement between PT and ForwoRx Therapeutics Inc. ("ForwoRX"), whereby PT transferred it's patents in the area of the development of therapies for fibrosis and erectile dysfunction to ForwoRx for further development of the technologies by ForwoRx.

Proceeds from the sale were a commitment by ForwoRX to issue 15,000,000 common shares.

Subject to the terms of the Agreement, if the 15,000,000 shares are not issued to the Company within 3 years, then the Company may trigger the issuance of the shares, and if at the end of 5 years the shares have not been issued, then ForwoRX must return the assets to the Company. In the event of a sale by ForwoRX to a third party of the assets purchased under the agreement, the Company will receive 6% of the value of that transaction, subject to certain conditions. The Company has assessed that the fair value of the right to receive the shares from ForwoRX is not determinable and has accordingly recorded a notional value of $1.

4. Asset Purchase Agreement (continued)

A condition of the sale was that ForwoRX will pay to the Company an annual maintenance fee of $50,000. As of December 31, 2019, $200,000 in maintenance fees was due. In the Company's judgment, no portion of this amount will be recognized until collection can be assured. The Company measures the loss allowance for the maintenance at an amount equal to the lifetime expected credit losses of the credit risk to be $200,000.

5. Property, Plant and Equipment

Costs

	Computers	Land	Total
Balance December 31, 2018	$ 1,942	$ 10,500	$ 12,442
Additions	-	8,000	8,000
Disposals	-	(18,500)	(18,500)
Balance December 31, 2019	**$ 1,942**	**$ -**	**$ 1,942**

Accumulated Depreciation

	Computers	Land	Total
Balance December 31, 2018	$ 1,602	$ -	$ 1,602
Depreciation	340	-	340
Balance December 31, 2019	**$ 1,942**	**$ -**	**$ 1,942**

Net Carrying Amount

	Computers	Land	Total
Balance December 31, 2018	$ 340	$ 10,500	$ 10,840
Balance December 31, 2019	**$ -**	**$ -**	**$ -**

The land is leased land on the Enoch Cree Nation Lands and is presented as a right-of-use asset (see Note 9).

During the year ended December 31, 2019, the lease was terminated due to failure of the lessor to fulfil their obligations under the agreement. As a result, the right-of-use asset valued at $18,500 was derecognized.

6. License Costs

Costs and Net Carrying Amount

		Cannabis Act License Costs
Balance December 31, 2017	$	-
Additions		259,050
Balance December 31, 2018	$	259,050
Additions		53,239
Write-down		(74,390)
Balance December 31, 2019	**$**	**237,899**

On June 4, 2018 the Company entered into a binding agreement with Cannabis Compliance Inc. ("CCI"). CCI will provide the Company with consulting services related to an Access to Cannabis for Medical Purposes ("ACMPR") Cannabis Act license application and construction of a cannabis cultivation facility.

The costs incurred to complete the license application have been capitalized as an intangible asset. The Company also classified certain consulting charges associated with obtaining the Cannabis Act license.

In 2019, the Company wrote-down license costs of $74,390 on termination of the Enoch Cree Nation Lands lease (Note 9) as these costs are not transferrable to another property.

Costs incurred to obtain the ACMPR License are listed below:

		December 31, 2019		December 31, 2018
Application costs	$	128,125	$	128,125
Other capitalized charges		109,774		130,925
Total	**$**	**237,899**	**$**	**259,050**

7. Research and development

During the year ended December 31, 2019, the Company expensed $10,000 in costs incurred in the research and development of strains of cannabis. The focus of this research was to test and characterize strains of cannabis to discover optimal strains of cannabis to grow outdoors in Alberta.

8. Loans payable

		December 31, 2019		December 31, 2018
Loans assumed from PT - Non-interest bearing with no set repayment terms	$	35,623	$	35,623
Loan assumed from PT - Interest rate of 1% monthly, due September 30, 2022		59,696		58,016
	$	**95,319**	**$**	**93,639**

On September 26, 2019 the Company signed an agreement whereby the principal of the interest-bearing loan in the amount of $56,000 (2018: $56,000) became due on September 30, 2022. The loan accrues interest at 1% per month and interest is payable quarterly. Interest expense for the period ended December 31, 2019 was $6,720 (2018: $6,720). Interest accrued at December 31, 2019, is $3,696 (December 31, 2018: $2,016).

On April 4, 2018 the Company assumed an additional debt balance of $4,179 from PT. On April 12, 2018, the entire balance was converted into 16,716 units at a conversion rate of $0.25 per unit pursuant to a private placement (Note 12).

On February 23, 2018 the CEO and director assigned $50,000 of long-term debt to two arm's-length parties. The debt was due on December 31, 2019 and did not bear interest. The initial fair value of the debt was recorded at $40,655 using a discount rate of 12%. On April 12, 2018 the entire balance was converted to 200,000 units at a conversion rate of $0.25 per unit pursuant to a private placement (Note 12). The Company recorded a loss $9,345 on the conversion relating to the unamortized discount on the long-term debt.

9. Lease liability

On November 16, 2018, the Company entered into a 24-month lease agreement to lease 5 acres of land on the Enoch Cree Nation Lands to use for cultivation, possession, production, sale and delivery of cannabis products. The lease payments were $1,000 at the beginning of each year and an additional $1,000 on signing of the lease agreement, for total payments of $3,000. In addition, the Company paid finders' fees of $7,500 in relation to the lease.

In connection with the lease, the Company were to pay a royalty fee of 3% of net earnings before interest, taxes, and depreciation from the sale of product grown on the leased land.

The Company recorded this lease as a right-of-use asset and lease liability in the statement of financial position. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The effect of discounting the lease payments using an interest rate of 12%, which is the Company's

9. Lease liability (continued)

incremental borrowing rate, was negligible. The continuity of the lease liability is presented in the table below.

On March 31, 2019, the lease term was extended to 10 years with lease payments due at the beginning of each year. The Company recorded an adjustment to the right-of-use asset and lease liability measured at the present value of the additional lease payments.

In 2019 the lease was terminated due to failure of the lessor to fulfil their obligations under the agreement. The Company recorded a loss of $9,500 on termination of the lease resulting from derecognition of the right-of-use asset and lease liability.

Balance, December 31, 2017	$	-
Fair value, initial measurement		3,000
Lease payments		(2,000)
Balance, December 31, 2018		**1,000**
Fair value adjustment for extension of lease term		8,000
Write-down on termination of lease		(9,000)
Balance, December 31, 2019	**$**	**-**

10. Convertible notes

		Due to the CEO and director		Due to the CFO and director		Due to a former director		Total
Principal								
Balance, December 31, 2018	$	-	$	-	$	-	$	-
Converted from due to related parties		18,552		16,132		17,745		52,429
Accretion		741		645		708		2,094
Balance, December 31, 2019	**$**	**19,293**	**$**	**16,777**	**$**	**18,453**	**$**	**54,523**
Interest								
Balance, December 31, 2018	$	-	$	-	$	-	$	-
Accrued		575		500		645		1,625
Balance, December 31, 2019	**$**	**575**	**$**	**500**	**$**	**645**	**$**	**1,625**
Equity component	**$**	4,448	$	3,868	$	4,256	$	12,572

10. Convertible notes

The convertible notes due from related parties have a face value of $65,000, are payable on July 10, 2022, bear interest at 5% annually, and are convertible into common shares at the option of the holder at a conversion price of $0.25 per share (see Note 11).

The notes were separated into their liability and equity components by first valuing the liability component by discounting the cash flows and assigning the residual value to the equity component. The initial fair value of the debt component was recorded at $52,399 using a discount rate of 12%, and $12,572 was assigned to the equity component to account for the conversion feature. The debt component will be systematically accreted to its face value over the term of the notes by recording additional interest.

11. Related Party Transactions

Transactions with related parties and key management compensation are as follows:

		December 31, 2019		**December 31, 2018**
Accounting fees to a Company controlled by a director	$	21,125	$	17,000
Consulting fees to a Company controlled by a director		10,000		8,000
Consulting fees to a director		2,000		-
Consulting fees to a Company controlled by a former director		40,000		73,674
Management fees to the CEO and director		72,000		94,850
Wages to the CEO and director		22,500		18,750
Finance fee to a director (Note 14)		31,250		-
Share-based compensation		14,914		56,393
Research and development fees to a director (Note 7)		10,000		-
	$	223,789	$	268,667

<u>Balance due to the CEO and director:</u>

As of December 31, 2019, the Company has $6,717 (2018: $7,971) of short-term debt owing to the CEO and director of the Company. The balance has no set terms of repayment and does not bear interest.

On April 26, 2019 the CEO and director converted $12,500 of debt into 50,000 shares at a price of $0.25 per share.

On July 10, 2019, the CEO and director signed an agreement to convert $23,000 of outstanding debt to a long-term, convertible promissory note. See Note 10.

11. Related Party Transactions (continued)

Conversion to long-term debt

On September 20, 2017 the CEO and director signed an agreement which resulted in reclassification of $100,000 of the payable as long-term. The debt was due January 1, 2020 and did not bear interest. The initial fair value of the long-term debt was recorded at $76,642 using a discount rate of 12%. An interest benefit of $23,358 was recorded as an equity reserve upon reclassification.

On February 23, 2018 the CEO and director assigned $50,000 of the long-term debt to arm's-length parties (Note 8).

On April 12, 2018 $25,000 of the long-term debt was converted to units at a conversion rate of $0.25 per unit pursuant to a private placement (Note 12). The Company recorded a loss of $4,673 on the conversion related to the unamortized discount.

During the year ended December 31, 2018 the remaining long-term debt balance was paid off. The Company recorded a loss of $4,063 on repayment relating to the unamortized discount.

Balance due to the CFO and director:

As of December 31, 2019, the Company has $17,138 (2018: $4,482) of short-term debt owing to a company controlled by the CFO and director, and $2,000 (2018: $Nil) owing to that director. The amount does not bear interest and has no set terms of repayment.

On April 26, 2019 the director converted $31,250 of debt related to the finance fee on the line of credit into 125,000 shares (Note 14).

On July 10, 2019, the CFO and director signed an agreement to reclassify $20,000 of outstanding debt as a long-term, convertible promissory note. See Note 10.

Balance due to a former director:

As of December 31, 2019, the Company has a balance of $11,248 (2018: $6,999 included in accounts payable and accrued liabilities) of short-term debt owing to a Company controlled by a former director. The amount does not bear interest and has no set terms of repayment.

On April 26, 2019 the former director converted $15,750 of debt into 63,000 shares at a price of $0.25 per share.

On July 10, 2019, the former director signed an agreement to reclassify $22,000 of outstanding debt as a long-term, convertible promissory note. See Note 10.

Balance due to a family member of the CEO and director:

On December 18, 2017 the CEO and director assigned $20,000 of debt to this individual, which resulted in reclassification of the payable as long-term. The debt was due on September 30, 2019 and did not bear interest. The initial fair value of the debt was recorded at $16,262 using a

11. Related Party Transactions (continued)

discount rate of 12%. An interest benefit of $3,738 was recorded as an equity reserve upon reclassification.

On April 12, 2018 the entire balance was converted to 80,000 units at a conversion rate of $0.25 per unit pursuant to a private placement (Note 12). The Company recorded a loss $3,250 on the conversion relating to the unamortized discount on the long-term debt.

<u>Other balances due to related parties:</u>

As of December 31, 2019, the Company has $100 (2018: $100) owing to a former director of the Company. The amount does not bear interest and has no set terms of repayment.

12. Share Capital

The Company has authorized an unlimited amount of Class A common shares without par value. As at December 31, 2019 the Company has 12,779,340 (2018: 11,083,340) common shares issued and outstanding.

During the year ended December 31, 2019:

On July 3, 2019 the Company closed a private placement and issued 160,000 shares at $0.25 per share for gross proceeds of $40,000.

On April 26, 2019 the Company closed a private placement and issued 1,284,000 shares at $0.25 per share for gross proceeds of $321,000. Of this amount, $125,000 relates to shares issued as the administrative fee on the line of credit (Note 14), $185,000 was other debt converted, and $1,000 was in subscriptions received at December 31, 2018. Of the other debt converted, $156,750 was accounts payable and $28,250 was due to related parties.

On May 30, 2019 the Company closed a private placement and issued 252,000 shares at $0.25 per share for gross proceeds of $63,000.

During the year ended December 31, 2018:

On April 12, 2018 the Company closed a private placement and issued 3,228,716 units at $0.25 per unit for gross proceeds of $807,179. Of that amount $706,910 was cash proceeds and $100,269 was debt converted. Of the debt converted, 1,090 was accounts payable, $54,179 was loans payable, and $45,000 was due to related parties. Each unit consists of one share and on-half of one share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at a price of $0.35 per share for a period of two years from the date of issue. The warrants were assigned a value of $39,045 using the residual value method. The Company incurred cash share issuance costs of $25,500 in connection with the private placement.

12. Share Capital (continued)

Stock options and share based payments

As at December 31, 2019 the following stock options were outstanding and exercisable:

Expiry Date	Exercise Price $	Options Outstanding #
31-Oct-21	0.10	100,000
18-Jan-22	0.10	25,000
10-Jul-22	0.10	280,000
21-Sep-22	0.10	170,000
18-Oct-23	0.25	300,000
23-Aug-24	0.25	20,000
16-Sep-24	0.25	100,000
		995,000

During the year ended December 31, 2019:

On August 23, 2019, the Company issued 20,000 options to purchase common shares to a director. The options have an exercise price of $0.25 per share and are exercisable for a period of five years from the date of grant with immediate vesting. The options were assigned a value of $3,722 using the Black-Scholes pricing model.

On September 16, 2019, the Company issued 100,000 options to purchase common shares to directors and consultants of the Company. The options have an exercise price of $0.25 per share and are exercisable for a period of five years from the date of grant with immediate vesting. The options were assigned a value of $22,412 using the Black-Scholes pricing model.

During the year ended December 31, 2018:

On October 18, 2018, the Company issued 340,000 options to purchase common shares to directors and consultants of the Company. The options have an exercise price of $0.25 per share and are exercisable for a period of five years from the date of grant with immediate vesting. The options were assigned a value of $60,152 using the Black-Scholes pricing model.

12. Share Capital (continued)

The options outstanding and exercisable as at December 31, 2019 have a weighted average remaining contractual life of 3.11 years (2018: 3.89 years). Stock option activity was as follows:

	Options outstanding	Exercise Price $
Balance, December 31, 2017	685,000	0.10
Issued	340,000	0.25
Balance, December 31, 2018	1,025,000	0.15
Issued	120,000	0.25
Forfeited	(150,000)	(0.14)
Balance, December 31, 2019	995,000	0.16

The fair value of share-based awards is determined using the Black-Scholes Option Pricing Model. The model utilizes certain subjective assumptions including the expected life of the option and expected future stock price volatility. Changes in these assumptions can materially affect the estimated fair value of the Company's stock options. The Company used the Black-Scholes Option Pricing Model for its stock option grants in 2019 and 2018.

The assumptions used in the Black-Scholes Option Pricing Model were:

	December 31, 2019	December 31, 2018
Expected volatility	**100%**	**100%**
Risk free interest rate	**1.21% - 2.40%**	**1.95% - 2.14%**
Expected life in years	**5 years**	**5 years**
Grant date fair value per share	**$0.25**	**$0.10 - $0.25**
Forfeiture rate	**0.00%**	**0.00%**

Warrants

As at December 31, 2019 the following share purchase warrants were issued and outstanding:

Expiry Date	Exercise Price $	30-Dec-19
08-Oct-19	3.00	72,000
18-Oct-19	3.00	66,000
05-Nov-19	3.00	224,333
12-Apr-20	0.35	1,614,358
		1,976,691

12. Share Capital (continued)

During the year ended December 31, 2019:

There was no warrant activity during the year ended December 31, 2019.

During the year ended December 31, 2018:

Pursuant to a private placement on April 12, 2017, the Company issued 1,614,358 share purchase warrants. Each whole warrant entitles the holder to purchase one common share at a price of $0.35 per share for a period of two years from the date of issue. The warrants were assigned a value of $39,045 using the residual value method.

The warrants outstanding and exercisable as at December 31, 2018 have a weighted average remaining contractual life of 0.20 years (2018: 1.2 years). Warrant activity was as follows:

	Options outstanding	**Exercise Price $**
Balance, December 31, 2017	362,333	$3.00
Issued	1,614,358	$0.35
Balance, December 31, 2018 and 2019	1,976,691	$0.84

13. Income Taxes

The reconciliation of income tax attributable to continuing operations computed at the combined federal and provincial statutory tax rate of 27% to income tax expense is:

	2019	**2018**
	$	**$**
Income (loss) for the year	(558,629)	(484,063)
Expected income tax (recovery)	(150,830)	(130,697)
Permanent and other differences	72,719	27,207
Change in benefit not recognized	78,111	103,490
Total income tax expense (recovery)	-	-

Deferred taxes are recognized for the future income tax consequences attributable to differences between the carrying values of assets and liabilities and their respective income tax bases. Deferred tax assets are evaluated periodically and if realization is not considered likely, a valuation allowance is provided.

13. Income Taxes (continued)

	2019	2018
	$	$
Deferred tax assets (liabilities)		
Non-capital loss carry forwards	232,398	154,287
Financing and other	24,740	3,195
Unrecognized deferred tax assets	257,138	157,482

The Company has non-capital losses of $860,732 (2018: $571,434) which, if unused, will expire as follows:

	$
2036	6,739
2037	181,399
2038	383,296
2039	289,298
	860,732

14. Line of Credit

On March 15, 2019 the Company entered into agreements to access lines of credit of up to $1.2 million with a maturity date of March 31, 2022. Any amount borrowed on the lines of credit is subject to interest at 12% annually. Interest is payable quarterly beginning 365 days from the date the Company receives a standard cultivation license from Health Canada to grow Cannabis. Interest may be paid in cash or shares at the Lender's discretion. Any amount in default will be subject to interest at 18% annually. Advances are available to the Company until March 31, 2022.

An administrative fee of 500,000 common shares valued at $125,000 was paid to the lenders. Of this amount $31,250 was paid to a director of the Company. The shares were issued on April 26, 2019.

As at December 31, 2019 the Company has borrowed $Nil on the lines of credit.

15. Capital Disclosures

The Company considers its capital under management to be comprised of shareholders' deficiency and any debt that it may issue. The Company's objectives when managing capital are to continue as a going concern and to maximize returns for shareholders over the long term. The Company is not subject to externally imposed capital requirements. There has been no change in the Company's objectives in managing its capital since incorporation.

16. Financial Instruments and Risk

As at December 31, 2019, the Company's financial instruments consist of cash, advances, GST receivable, accounts payable and accrued liabilities, loans payable, due to related parties, lease liability and convertible notes.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution.

The Company has assessed that the fair value of the right to receive the shares from ForwoRX is not determinable and has accordingly recorded a notional value of $1. FoxworRX is dormant and has no operations as at December 31, 2019.

As of December 31, 2019, $200,000 in maintenance fees was due from FoxworRX. The Company measures the loss allowance for the maintenance at an amount equal to the lifetime expected credit loss of the credit risk to be $200,000.

Liquidity Risk

The Company's financial liabilities consist of $46,668 (2018: $60,741) in accounts payable and accrued liabilities, $95,319 (2018: $93,638) in loans payable, $37,204 (2018: $12,553) in due to related parties, $Nil (2018: $1,000) in lease liabilities, and $56,148 (2018: $Nil) in convertible notes. The Company manages liquidly risk through management of its capital resources discussed above.

Foreign Exchange Risk

The Company is not exposed to foreign exchange risk on its financial instruments.

Interest Rate Risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk the Company will realize such a loss is limited because the Company's interest-bearing note payable has a fixed rate of interest.

16. Financial Instruments and Risk (continued)

Fair Value

The Company provides information about financial instruments that are measured at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

	Level 1	Level 2	Total
	$	$	$
December 31, 2018			
Cash	40,250	-	40,250
	40,250	-	40,250
December 31, 2019			
Cash	53	-	53
Loans payable	-	(56,000)	(56,000)
Convertible notes	-	(56,148)	(56,148)
	53	(112,148)	(112,095)

Cash is measured using level 1 fair value inputs. The fair value of long-term loans payable and convertible notes are determined based on level 2 inputs and estimated based on the present value of future cash flows based on current interest rates for financial instruments with similar conditions and maturity. As at December 31, 2019, the Company believes that the carrying values of its cash, advances, GST receivable, accounts payable and accrued liabilities, short-term due to related parties, short-term loans payable, and lease liability approximate their fair values because of their nature and relatively short maturity dates or durations.

16. Supplemental Cash Flow Information

	2019	2018
Cash paid for interest	5,040	$6,720
Cash paid for income taxes	-	-

Investing and financing activities that do not have an impact on current cash flows are excluded from the statements of cash flow.

Significant non-cash investing and financing transactions for the period ended September 30, 2019 are as follows:

- Converted due to related parties of $28,250 into shares (Note 11, Note 12).
- Converted accounts payable of $156,750 into shares (Note 12).
- Converted due to related parties of $65,000 to convertible notes. $12,572 was assigned to the equity component (Note 10).
- Issued shares for subscriptions received of $1,000 (Note 12).
- Extended the lease obligation to a period of ten years, which resulted in an increase of $8,000 to the lease liability and right of use asset (Note 9).

Significant non-cash investing and financing transactions for the year ended December 31, 2018 are as follows:

- Converted due to related parties of $50,000 (present value: $40,655) to loans payable (Note 8, Note 11).
- Converted loans payable of $54,179 (present value: $44,834) into 216,716 common shares (Note 8, Note 12).
- Converted due to related parties of $45,000 (present value: $37,076) into 180,000 common shares (Note 11, Note 12).
- Converted accounts payable of $1,090 into 4,359 common shares (Note 12).

17. Agreement

On February 21, 2018, the Company entered into a letter of intent with Rod Saddleback of the Samson First Nation on the development of a 200,000 sq. ft. green house to cultivate cannabis. On May 25, 2018 the Company, through Alta-Sun Samson Holdings Corp., entered into a new agreement with Myron Sparklingeyes and Rod Saddleback of the Samson Cree First Nation on the development of a larger 250,000 sq. ft. green house. Under the agreement the Company had committed to making an initial lease payment of $40,000 on signing of the lease. The lease has not been signed. On November 21, 2018, the agreement was terminated. The Company wrote-off deposits of $25,000 made towards the lease.

18. Preliminary Prospectus

On June 28, 2019 the Company filed a preliminary non-offering prospectus with the British Columbia Securities Commission and filed an amendment to the June 28, 2019 non-offering prospectus on August 23, 2019.

19. Subsequent Events

As at December 31, 2019, the Company has the following events:

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID- 19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

Subject to regulatory approval, the Company has amended the terms of its 1,614,358 warrants by extending by 3 years the expiry date to April 12, 2023 and the exercise price from $0.35 per share to $0.10 per share.

The Company has agreed to convert a debt of $10,000 for 40,000 shares at $0.25 per share.