

Captiva Verde Land Corp.

Financial Statements

For the year ended October 31, 2019 and 2018

(amounts expressed in Canadian dollars, except where indicated)

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Captive Verde Land Corp.

Opinion

We have audited the accompanying financial statements of Captiva Verde Land Corp. (the "Company"), which comprise the statement of financial position as at October 31, 2019, and the statement of loss and comprehensive loss, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred a loss of \$1,568,668 during the year ended October 31, 2019 and, as of that date, has an accumulated deficit of \$1,936,546. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matters

The financial statements of Captiva Verde Land Corp. for the year ended October 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements on February 27, 2019.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Hawkshaw.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

February 27, 2020

Captiva Verde Land Corp.
Statement of Financial Position

(amounts expressed in Canadian dollars, except where indicated)

	Note	October 31, 2019	October 31, 2018
Assets			
Current Assets			
Cash		\$ 735,371	\$ 268,212
Other receivables		34,439	9,609
Prepays and advances		14,402	-
Total current assets		784,212	277,821
Other receivables	10	166,701	-
Sage ranch project	5	2,423,055	1,374,605
Solargram farms	6	1,231,996	-
Total assets		\$ 4,605,964	\$ 1,652,426
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		\$ 474,926	\$ 346,039
Total liabilities		474,926	346,039
Shareholders' equity			
Share capital	8	2,651,963	1,626,638
Share based compensation reserves	8	649,456	-
Warrants reserves	8	435,533	47,627
Subscription proceeds received in advance	13	2,330,632	-
Deficit		(1,936,546)	(367,878)
Total shareholders' equity		4,131,038	1,306,387
Total liabilities and shareholders' equity		\$ 4,605,964	\$ 1,652,426

Nature of operations and continuing operations (note 1)

Commitments (note 11)

Subsequent events (note 13)

Approved by the Board of Directors

 "Jeff Ciachurski" Director

 "Michael Boyd" Director

Captiva Verde Land Corp.

Statement of Loss and Comprehensive Loss

(amounts expressed in Canadian dollars, except where indicated)

		Year Ended October 31,	
		2019	2018
	Note		
Expenses			
Administrative fees	10	\$ (291,990)	\$ (73,383)
Consulting fees	10	(96,606)	(50,964)
Filing fees		(40,494)	(15,311)
Legal and professional fee		(132,066)	(30,731)
Foreign exchange loss		(30,559)	(2,231)
Pre-acquisition project costs	7	(211,607)	-
Travel		(115,890)	(24,233)
Share-based compensation	8,10	(649,456)	-
Loss and comprehensive loss for the year		(1,568,668)	(196,853)
Loss per share			
Basic and diluted		\$ (0.02)	\$ (0.00)
Weighted average shares outstanding			
Basic and diluted		91,789,080	70,624,221

Captiva Verde Land Corp.

Statement of Changes in Shareholders' Equity

For the years ended October 31, 2019 and 2018

(amounts expressed in Canadian dollars, except where indicated)

	Notes	Shares	Share capital	Share based compensation reserves	Warrants reserves	Subscription proceeds received in advance	Deficit	Total shareholders' equity
Balance at October 31, 2018		85,648,091	\$ 1,626,638	\$ -	\$ 47,627	\$ -	\$ (367,878)	1,306,387
Private placement		9,125,000	1,007,640	-	397,360	-	-	1,405,000
Private placement transaction cost			(20,756)	-	-	-	-	(20,756)
Warrants exercised		289,875	38,441		(9,454)	-	-	28,987
Share-based compensation	8		-	649,456	-	-	-	649,456
Subscription proceeds received in advance	13	-	-	-	-	2,330,632	-	2,330,632
Loss for the year		-	-	-	-	-	(1,568,668)	(1,568,668)
Balance at October 31, 2019		95,062,966	\$ 2,651,963	\$ 649,456	\$ 435,533	\$ 2,330,632	\$ (1,936,546)	\$ 4,131,038

	Notes	Shares	Share capital	Share based compensation reserves	Warrants reserves	Subscription proceeds received	Deficit	Total shareholders' equity
Balance at October 31, 2017		69,660,591	\$ 250,604	\$ -	\$ 35,090	\$ -	\$ (171,025)	\$ 114,669
Prospectus	8	5,000,000	500,000	-	-	-	-	500,000
Prospectus issuance costs		-	(222,716)	-	12,537	-	-	(210,179)
Finance shares	8	300,000	30,000	-	-	-	-	30,000
Shares issued on land acquisition	5	10,687,500	1,068,750	-	-	-	-	1,068,750
Loss for the year		-	-	-	-	-	(196,853)	(196,853)
Balance at October 31, 2018		85,648,091	\$ 1,626,638	\$ -	\$ 47,627	\$ -	\$ (367,878)	\$ 1,306,387

Captiva Verde Land Corp.

Statement of Cash Flows

For the years ended October 31, 2019 and 2018

(amounts expressed in Canadian dollars, except where indicated)

	Note	Year Ended October 31,	
		2019	2018
Cash used in operating activities			
Loss for the year		\$ (1,568,668)	\$ (196,853)
Items not affecting cash:			
Share-based compensation	8	649,456	-
Foreign exchange		30,559	-
Change in non-cash operating working capital			
Decrease (increase) in prepaid expenses and other receivables		(39,233)	45,162
Increase in accounts payable and accrued liabilities		12,360	111,283
Net cash used in operating activities		(915,526)	(40,408)
Cash flows from investing activities			
Sage ranch project	5	(951,064)	(170,862)
Other receivables	10	(166,700)	-
Solargram farms	6	(1,231,996)	-
		(2,349,760)	(170,862)
Cash flows from financing activities			
Proceeds from private placement, net of transaction costs	8	1,369,958	-
Share subscriptions receivable	13	2,333,500	-
Proceeds received from warrant exercises	8	28,987	-
Proceeds from prospectus	8	-	323,498
		3,732,445	323,498
Increase in cash		467,159	112,228
Cash – beginning of year		268,212	155,984
Cash – end of year		\$ 735,371	\$ 268,212

Supplemental cash flow information	Notes	2019	2018
Sage Ranch expenditures accrued	5	\$ (232,831)	\$ (135,445)
Shares issued in settlement of debt	8	\$ (25,500)	\$ -
Cash paid for interest		\$ -	\$ -
Cash paid for taxes		\$ -	\$ -

Captiva Verde Land Corp.

Notes to the Financial Statements

For the years ended October 31, 2019 and 2018

(amounts expressed in Canadian dollars, except where indicated)

1 Nature of business and continuing operations

Captiva Verde Land Corp. (“Captiva Verde” or the “Company”) is a sustainable real estate company that invests in assets that contain green residential communities, disruptive manufacturing facilities, organic food production and Hemp Seed Oil operations.

The Company was incorporated under the British Columbia Business Corporations Act on November 9, 2015. The Company’s registered and records office is located at 1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117, Vancouver, BC V6E 4N7.

These financial statements have been prepared on the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The nature of the Company’s primary business is planned to be the acquisition, management, development, and possible sale of real estate projects in addition to organic food production and Hemp Seed Oil operations. The Company had a loss of \$1,568,668 for the year ended October 31, 2019 (October 31, 2018 - \$196,853) and as at October 31, 2019 has an accumulated deficit of \$1,936,546 (October 31, 2018 - \$367,878). As at October 31, 2019, the Company has working capital of \$309,286 (October 31, 2018 – working capital deficit of \$68,218). To date, the Company has no existing business operations and no history of earning or revenues. If the Company is unable to raise any additional funds to undertake planned development, it could have a material adverse effect on its financial condition and may cast significant doubt about the Company’s ability to continue as a going concern. If the going concern basis were not appropriate for these consolidated financial statements, then significant adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses, and the classifications used in the statement of financial position.

2 Basis of presentation and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) effective as at October 31, 2019. The policies set out below were consistently applied to all periods presented.

These financial statements were authorized for issue by the Board of Directors on February 27, 2020.

3 Significant accounting policies

Basis of presentation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value as described in the significant accounting policies. All information is expressed in Canadian dollars unless otherwise stated and are prepared in accordance with the significant accounting policies outlined below.

Cash

Cash includes cash on deposit and short-term investments with a maturity at the date of purchase of 90 days or less.

Financial Instruments - Recognition and Measurements

(i) Non-derivative financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Certain receivables are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash is classified as FVTPL.

Captiva Verde Land Corp.

Notes to the Financial Statements

For the years ended October 31, 2019 and 2018

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Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(ii) Non-derivative financial liabilities

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in profit or loss.

(iii) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value with changes in fair value recognized in profit or loss. Transaction costs are recognized in profit or loss as incurred.

Property held for development and sale

Construction in progress expenditures, including the cost of material, direct labour, and other direct costs are recognized as property, plant and equipment when the following recognition requirements are met:

- costs can be measured reliably; and
- it is probably that future economic benefits associated with the item will flow to the Company.

Construction in progress assets are amortized once they are available for their intended use. During the year ended October 31, 2019, the Company capitalized construction in progress costs of \$2,280,446 (2018 - \$1,374,605) presented as Sage Ranch (note 5) and Solargram Farms (note 6).

Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted at the end of each reporting period.

Deferred income tax

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

Deferred income tax assets and liabilities are recognized for all taxable temporary differences, except:

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- where the deferred income tax asset or liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable or deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venture and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax relating to items recognized directly in equity is recognized in the statement of changes in shareholders' equity and not in the statement of loss and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Share-based payments

The Company accounts for share-based compensation using the Black-Scholes option pricing model. Accordingly, the fair value of the options at the date of grant is accrued with a corresponding credit to share based compensation reserves and charged to earnings over the vesting period. If, and when, the stock options are exercised, the applicable amounts of share based compensation reserves are transferred to share capital. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the stock-based compensation. Otherwise, share-based compensation is measured at the fair value of goods or services received.

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.

The Company has adopted a relative fair value method with respect to the measurement of shares and warrants issued as units. Under the relative fair value method, the Company first determines the fair values of the shares and warrants included in the units, then allocates the unit price based on the relative fair value of the instruments included in the unit. The Company considers the fair value of common shares issued in these types of transactions to be determined by the closing quoted bid price on the issuance date. The fair value of the warrants included is determined using the Black-Scholes option pricing model. Any fair value attributed to the warrants is recorded to reserves.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. At the present time the Company has no provisions.

Captiva Verde Land Corp.

Notes to the Financial Statements

For the years ended October 31, 2019 and 2018

(amounts expressed in Canadian dollars, except where indicated)

Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the period. The Company follows the treasury stock method for the calculation of diluted earnings per share. Under this method, dilution is calculated based upon the net number of common shares issued should “in-the-money” options and warrants be exercised and the proceeds be used to repurchase common shares at the average market price in the year. Dilution from convertible securities is calculated based on the number of shares to be issued after taking into account the reduction of the related after-tax interest expense.

Basic loss per share is computed by dividing loss for the year by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of share options and warrants, if dilutive.

New Accounting Standards Adopted during the year

IFRS 9 – Financial Instruments (“IFRS 9”)

In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity’s business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard was adopted on November 1, 2018 and had no significant impact on the Company’s financial statements.

IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”)

In May 2014, IASB issued IFRS 15 to replace IAS 18 – Revenue, which establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The amended standard was adopted on November 1, 2018 and did not have a material impact on the financial statements.

New Accounting Standards Issued But Not Yet Effective

IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee. The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for the Company’s annual periods beginning November 1, 2019.

The Company does not expect the adoption of IFRS 16 will have a significant impact on its consolidated financial statements as the Company does not have any long-term leases.

4 Significant accounting estimates and judgments

The preparation of these financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. Revisions to estimates and the resulting effects on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively.

Captiva Verde Land Corp.

Notes to the Financial Statements

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(amounts expressed in Canadian dollars, except where indicated)

Areas that often require significant management estimates and judgment are as follows:

Share-based payments

Amounts recorded for share-based payments are subject to the inputs used in the Black-Scholes option pricing model, including estimates such as volatility, forfeiture, dividend yield and expected option life.

Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable earnings together with future tax planning strategies.

Functional currency

The functional currency for the Company is the currency of the primary economic environment in which each operates. The Company's functional and local currency is the Canadian dollar. The determination of functional currency may require certain judgments to determine the primary economic environment. The Company reconsiders the functional currency used when there is a change in events and conditions which determined the primary economic environment.

Assets' carrying values and impairment charges

In determining carrying values and impairment charges the Company looks at recoverable amounts, defined as the higher of value in use or fair value less cost to sell in the case of assets, and at objective evidence that identifies significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

5 Sage ranch project

On October 9, 2018, the Company the Company closed the acquisition agreement with Greenbriar Capital (U.S.) LLC ("Greenbriar") to purchase a 50% undivided interest in approximately 132 acres of real property located in the City of Tehachapi, California, USA. The acquisition represents a non-arm's length transaction as the Chief Executive Officer of the Company, Jeffrey Ciachurski, is also the Chief Executive Officer of Greenbriar. As consideration for the acquisition, the Company issued 10,687,500 common shares of the Company to Greenbriar and a \$112,500 one-year interest free loan, which was immediately settled in cash upon closing.

	October 31, 2019	October 31, 2018
Opening	\$ 1,374,605	\$ -
Shares issued (10,687,500 common shares at \$0.10 per share)	-	1,068,750
Cash	-	112,500
Construction in progress	1,048,450	193,355
	\$ 2,423,055	\$ 1,374,605

6 Solargram farms

On May 8, 2019, the Company entered into an agreement to acquire Solargram Farms Corporation ("Solargram"), a Canadian controlled private corporation, having corporate offices in Moncton, NB. As consideration the Company will issue 30,000,000 shares upon acquisition which has a prerequisite of Solargram obtaining their Cannabis Grow License by Health Canada. As at October 31, 2019 this transaction has not yet closed.

Captiva Verde Land Corp.

Notes to the Financial Statements

For the years ended October 31, 2019 and 2018

(amounts expressed in Canadian dollars, except where indicated)

On September 26, 2019, the Company completed the acquisition of over 5 million square feet of land for cannabis production and 30,000 square feet of buildings to commence the infrastructure buildout for Solargram's Health Canada site evidence package as part of the final steps to obtaining an outdoor organic grow license. Subsequent to entering into the agreement with Solargram, a shareholder of Solargram became the Vice President of the Company.

	October 31, 2019
Opening	\$ -
Construction in progress	1,231,996
	\$ 1,231,996

7 Mexico operations

The Company has entered into an exchange agreement with Salud Esmeralda de Mexico SA de CV ("Esmeralda") for the exchange of all of the shares of Esmeralda for 80,000,000 common shares of the Company. The shares are subject to a pooling agreement for one year. Jeff Ciachurski, CEO, is expected to become a shareholder of Esmeralda. As at the end of the year ended October 31, 2019 this transaction has not yet closed.

Esmeralda and its principals acquired from another Mexican corporation, a comprehensive pharmaceutical license to sell, market and distribute pharmaceutical, health, wellness and veterinarian products which include all psychoactive and non-psychoactive drugs listed under Groups I, II & III.

The Company has expensed \$211,607 for pre-acquisition project costs and will continue to do so until the transaction is completed and the shares of Esmeralda acquired.

8 Share capital

a) Authorized and outstanding

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at October 31, 2019 the issued and outstanding share capital consists of 95,062,966 common shares.

Fiscal 2019

On November 13, 2018, the Company closed a private placement and issued 2,000,000 units at \$0.14 per unit for gross proceeds of \$280,000. Each unit comprises one common share and one half of one common share purchase warrant with a whole warrant exercisable into one common share at a price of \$0.25 for a period of one year from the date of closing. The Company incurred \$1,444 in issuance costs.

The total warrants issued were 1,000,000. The fair value of warrant was calculated at \$47,425 and was determined on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 2.28% risk free interest rate, expected life of 1 years, 160% annualized volatility and 0% dividend rate.

On February 26, 2019, the Company closed a private placement and issued 3,000,000 units at \$0.10 per unit for gross proceeds of \$294,500 and a reduction of accounts payable of \$5,500. Each unit comprises one common share and one half of one common share purchase warrant with a whole warrant exercisable into one common share at a price of \$0.25 for a period of one year from the date of closing. The Company incurred \$8,372 in issuance costs.

The total warrants issued were 1,500,000. The fair value of warrant was calculated at \$117,327 and was determined on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 1.76% risk free interest rate, expected life of 1 years, 177% annualized volatility and 0% dividend rate.

On May 8, 2019, the Company closed a private placement and issued 4,125,000 units at \$0.20 per unit for gross proceeds of \$805,000 and a reduction of accounts payable of \$20,000. Each unit comprises one common share and one half of one common share purchase warrant with a whole warrant exercisable into one common share at a price of \$0.35 for a period of one year from the date of closing. The Company incurred \$10,940 in issuance costs.

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The total warrants issued were 2,062,500. The fair value of warrant was calculated at \$232,608 and was determined on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 1.62% risk free interest rate, expected life of 1 years, 189% annualized volatility and 0% dividend rate.

On February 7, 2019, 100,000 warrants were exercised and the Company received gross proceeds of \$10,000.

On March 14, 2019, 189,875 warrants were exercised and the Company received gross proceeds of \$18,988.

Subsequent to October 31, 2019, on November 12, 2019, 1,000,000 warrants were exercised and the Company received gross proceeds of \$250,000.

Fiscal 2018

On October 10, 2018, the Company closed a prospectus offering. Under the offering, the Company issued 5,000,000 common shares at a price of \$0.10 per Share for gross proceeds of \$500,000. PI Financial Corp. acted as sole agent for the offering. In consideration for acting as agent, the agent received a cash commission of \$35,000, such amount being equal to 7% of the gross proceeds of the offering, a corporate finance fee consisting of a cash portion and 300,000 common shares of the Company. The Company also issued the agent warrants to purchase 350,000 common shares of the Company at a price of \$0.10 for a period of 36 months after closing of the offering. All of the common shares and a portion of the agent warrants were qualified for distribution under the prospectus. The balance of the agent warrants was subject to a four-month hold period which expired on February 10, 2019. The Company incurred transaction costs of \$222,716 related to the prospectus which is recorded as a reduction of share capital.

On October 10, 2018, as part of the prospectus offering the Company issued 350,000 warrants. The fair value of warrant was calculated at \$12,537 and was determined on the date of the issuance using the Black-Scholes option pricing model with the following weighted average assumptions: 2.32% risk free interest rate, expected life of 3 years, 50% annualized volatility and 0% dividend rate.

On October 10, 2018, the Company also announced that pursuant to the terms of the acquisition agreement with Greenbriar, the Company issued 10,687,500 common shares of the Company to Greenbriar (Note 5).

b) Stock options

On November 29, 2018 the Company issued 3,750,000 share-purchase options at a price of \$0.11 per share for a term of five years. The fair value of the share options was estimated at \$344,852 on the date of grant using the Black-Scholes option pricing model, with the following assumptions: expected option life of 5 years, expected stock price volatility 156%, dividend payment during life of option was nil and risk free interest rate 2.36%.

On March 15, 2019 the Company issued 1,100,000 share-purchase options at a price of \$0.30 per share for a term of five years. The fair value of the share options was estimated at \$304,604 on the date of grant using the Black-Scholes option pricing model, with the following assumptions: expected option life of 5 years, expected stock price volatility 178%, dividend payment during life of option was nil and risk free interest rate 1.62%.

A summary of stock option information as at October 31, 2019 and October 31, 2018 is as follows:

	October 31, 2019		October 31, 2018	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding – October 31, 2018	-	\$ -	-	\$ -
Granted	4,850,000	0.15	-	-
Outstanding – October 31, 2019	4,850,000	\$ 0.15	-	\$ -

The following table discloses the number of options and vested options outstanding as at October 31, 2019 and as date of report:

Number of options outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options Outstanding and exercisable	Weighted average exercise price	Weighted average remaining contractual life (years)
3,750,000	\$0.11	4.08	3,750,000	\$0.11	4.08
1,100,000	\$0.30	4.38	1,100,000	\$0.30	4.38
4,850,000	\$0.15	4.21	4,850,000	\$0.15	4.21

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c) Share purchase warrants as at October 31, 2019, and 2018:

	October 31, 2019		October 31, 2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding - beginning of year	3,447,360	\$ 0.10	3,097,360	\$ 0.10
Issued	2,500,000	0.25	350,000	0.10
Issued	2,062,500	0.35	-	-
Exercised	(289,875)	0.10	-	-
Outstanding – as at period end	7,719,985	\$ 0.22	3,447,360	\$ 0.10

Number of warrants	Exercise price per warrant	Expiry date
2,280,000*	\$0.10	July 4, 2022
350,000	\$0.10	September 6, 2022
75,000	\$0.10	September 7, 2022
292,360	\$0.10	September 29, 2022
160,125**	\$0.10	October 10, 2021
1,000,000***	\$0.25	November 13, 2019
1,500,000****	\$0.25	February 26, 2020
2,062,500	\$0.35	May 8, 2020
7,719,985		

* 250,000 warrants exercised subsequent to October 31, 2019.

** 53,346 warrants exercised subsequent to October 31, 2019.

*** 1,000,000 exercised subsequent to October 31, 2019.

**** 1,394,460 warrants have been exercised and 105,540 expired subsequent October 31, 2019.

9 Financial instruments

The Company reports its financial instruments on its statement of financial position and measures these at fair value. In limited circumstances when fair value may not be considered most relevant, they may be reported at cost or amortized cost. Gains or losses as a result of changes in fair value are recognized in the consolidated statement of operations and comprehensive loss.

The Company's financial instruments consist of cash, other receivables and accounts payable and accrued liabilities. The fair value of these financial instruments approximates the carrying value due to the short maturity or current market rate associated with these instruments.

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Categories of financial instrument

	October 31, 2019		October 31, 2018	
	Carrying value \$	Fair value \$	Carrying value \$	Fair value \$
Financial assets				
<i>Fair value through profit and loss ("FVTPL")</i>				
Cash	735,371	735,371	268,212	268,212
<i>Amortized cost</i>				
Other receivables and advances	166,701	166,701	9,609	9,609
Financial liabilities				
<i>Amortized cost</i>				
Accounts payable and accrued liabilities	474,926	474,926	346,039	346,039

Fair value

Financial instruments measured at fair value are grouped into Level 1 to 3 based on the degree to which fair value is observable:

Level 1 – quoted prices in active markets for identical securities

Level 2 – significant observable inputs other than quoted prices included in Level 1

Level 3 – significant unobservable inputs

Cash is measured at Level 1. Other receivables and accounts payable and accrued liabilities approximate fair value due to their short-term nature.

The Company did not move any instruments between levels of the fair value hierarchy during the year ended October 31, 2019.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is currently not exposed to any interest rate risk.

Credit Risk

The Company is exposed to credit risk through its cash, which is held in a large Canadian financial institution with high credit rating. The Company believes the credit risk is insignificant. The Company's exposure is limited to amounts reported within the statement of financial position.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. In order to meet its financial obligations, the Company will need to generate cash flow from the development or sale of future properties or raise additional funds.

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10 Related party transactions

The Company's related parties include key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors or companies with common directors of the Company.

The remuneration of the Company's directors and other key management personnel during the year ended October 31, 2019 and 2018 are as follows:

	October 31, 2019	October 31, 2018
Management and consulting fees	\$ 94,058	\$ 51,256
Share-based compensation	344,852	-

These expenses were measured at the exchange amounts agreed upon by the parties. As at October 31, 2019 the Company had amounts payable of \$34,869 (October 31, 2018 - \$73,798) to related parties. These amounts are unsecured and non-interest bearing.

During the year ended October 31, 2019 the Company incurred \$108,000 to a director and shareholder of the Company related to office space and administrative expenses (October 31, 2018 - \$40,000) as at October 31, 2019, the Company owed \$71,178 (October 31, 2018 - \$nil) related to these expenses.

During the year ended October 31, 2019 the Company incurred \$219,300 to a Company controlled by an executive related to consulting expenses (October 31, 2018 - \$nil).

During the year ended October 31, 2019 the Company settled \$20,500 in payables with the issuance of shares to a Company controlled by an executive (October 31, 2018 - \$nil).

In addition, the Company also acquired a 50% interest in the development land from Greenbriar (see Note 5 for further information). As at October 31, 2019 the Company had a \$166,701 non-interest bearing receivable from Greenbriar included in long-term other receivables. During the year ended October 31, 2019 the Company reimbursed Greenbriar \$127,114 (October 31, 2018 - \$nil) in expenses Greenbriar covered related to the Sage Ranch project.

The Company has entered into an exchange agreement with Esmeralda for the exchange of all of the shares of Esmeralda for 80,000,000 common shares of the Company. Jeff Ciachurski, CEO, is expected to become a shareholder of Esmeralda. As at the end of the year ended October 31, 2019 this transaction has not yet closed. (see Note 7 for more information).

11 Commitments

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The Company proposes the issuance of one million common shares to S & G Procesos Industriales, S.A de C.V ("S & G") upon approval of the Canadian Securities Exchange. In addition, Captiva has reached an agreement with S & G, for the acquisition of Hemp Seed Oil licenses, related land and facilities in Mexico once the defined regulations are finalized by the newly elected administration. S&G will receive from Captiva a fee of 7% of the proceeds to be paid by Captiva for such licenses, land and facilities.

The final price will be settled when the regulations by the government administration are complete.

The Company has entered into an exchange agreement with Esmeralda for the exchange of all of the shares of Esmeralda for 80,000,000 common shares of the Company (Note 7). Jeff Ciachurski, CEO, is expected to become a shareholder of Esmeralda. As at the end of the year ended October 31, 2019 this transaction has not yet closed.

On May 8, 2019, the Company entered into an agreement to acquire Solargram, a Canadian controlled private corporation, having corporate offices in Moncton, NB. As consideration the Company will issue 30,000,000 common shares upon acquisition which has a prerequisite of Solargram obtaining their Cannabis Grow License by Health Canada.

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12 Income taxes

The provision for income taxes differs from the amount calculated using the Canadian federal and provincial statutory income tax rates of 27.0% (2018 - 27.0%) as follows:

	October 31, 2019	October 31, 2018
Loss for the year	\$ (1,568,668)	\$ (196,853)
Expected income tax recovery	(424,000)	(53,150)
Share issuance costs	(16,000)	(14,735)
Change in unrecognized deductible temporary differences	237,000	112,681
Other	203,000	(44,796)
Total income tax expense (recovery)	\$ -	\$ -

As at October 31, 2019, no deferred tax assets are recognized on the following temporary differences as it is not probable that sufficient future taxable profit will be available to realize such assets:

	October 31, 2019	October 31, 2018
Share issue costs	\$ 47,000	\$ 52,170
Canadian non-capital losses available for future period	358,000	115,484

The Company's non-capital losses available for future periods expire between 2027 and 2039.

13 Subsequent events

- a) On November 13, 2019, the Company executed an exclusive and formal acquisition agreement with the Miss Envy Design Group. Terms of the deal are the issuance of 8,000,000 common shares paid on the following performance milestones:
- 2 million shares on the commencement of legal sales anywhere in the world
 - 2 million shares on first \$5 Million in sales
 - 2 million shares on every \$5 Million increase thereafter for a total of eight million shares
 - A lifetime royalty of 20% of the product sales net profit cash flow
 - The agreement is subject to Canadian Securities Exchange Approval
- b) On November 26, 2019, the Company closed a non-brokered private placement consisting of 9,474,000 units at a price of \$0.25 for total gross proceeds of \$2,368,500. Each unit is comprised of one common share of the Company and one common share purchase warrant of the Company. Each warrant is exercisable into a common share of the Company at an exercise price of \$0.75 for a period of two years. As at October 31, 2019, the Company received \$2,368,500 in shares subscription proceeds received in advance, net of \$37,868 in issuance costs, related to this financing.
- c) The Company also closed the purchase of a 5 acre land parcel (formerly owned by the Government) located adjacent the Company's current land holdings in Tehachapi, California called The Sage Rach Project (the "Property Acquisition"). As consideration for the

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Property Acquisition, the Company issued the vendor an aggregate of 2,000,000 common shares of the Company, paid USD \$160,000 in cash and Greenbriar will transfer a 28 acre parcel of land in Tehachapi, that is not part of the Sage Ranch project.

- d) The Company also issued an aggregate of 1,284,299 common shares in payment of professional legal services with an arm's length service provider.
- e) On February 14, 2020, the Company closed a non-brokered private placement consisting of 9,920,000 units at a price of \$0.25 for total gross proceeds of \$1,970,000 and a reduction of accounts payable of \$510,000. Each unit is comprised of one common share of the Company and one half common share purchase warrant of the Company. Each warrant is exercisable into a common share of the Company at an exercise price of \$0.75 for a period of two years.
- f) On November 8, 2019, the Company purchased additional property for their Solargram project for \$248,484.
- g) On December 18, 2019 the Company issued share-purchase options totaling 2,000,000 options at a price of \$0.30 per share for a term of five years.
- h) The Company issued 2,697,806 common shares related to warrants exercises for gross proceeds of \$628,494.