Graphite Energy Corp.

Condensed Interim Financial Statements

Six Month Period Ended December 31, 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

Unaudited Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company (as hereinafter defined) discloses that its auditors have not reviewed the unaudited condensed interim financial statements for the period ended December 31, 2019.

Graphite Energy Corp.
Condensed Interim Statement of Financial Position
(Expressed in Canadian dollars - Unaudited)

	Notes	December 31, 2019 -$-	June 30, 2019 -$-
ASSETS			
Current assets			
Cash		1,343	1,764
GST Receivable		1,168	13,365
TOTAL ASSETS		**2,511**	**15,129**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	4	445,356	318,595
Loan payable	8	18,000	-
TOTAL LIABILITIES		**463,356**	**318,595**
SHAREHOLDERS' EQUITY			
Share capital	5	1,617,389	1,617,389
Deficit		(2,078,234)	(1,920,855)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**(460,845)**	**(303,466)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		**2,511**	**15,129**

Nature of operations and going concern (Note 1)

Approved and authorized on behalf of the Board on November 26, 2019:

"Teresa Cherry" Director *"Adrian F.C. Hobkirk"* Director

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

Graphite Energy Corp.
Condensed Interim Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars - Unaudited)

		Three Months Ended		Six Months Ended	
		December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
	Notes	**- $ -**	**- $ -**	**- $ -**	**- $ -**
EXPENSES					
Consulting fees	6	-	-	-	-
Office and administration		245	6,001	4,744	10,381
Management and directors fees	6	45,000	50,015	120,000	99,463
Professional fees	6	3,125	2,500	8,375	6,038
Regulatory and filing fees		8,820	4,918	13,513	6,868
Shareholder communications		-	-	-	557
Transfer agent fees		1,401	1,170	10,581	3,345
Travel and related fees		-		-	1,279
Total expenses		(58,591)	(65,300)	(157,213)	(127,931)
Other items					
Foreign exchange loss		-	-	166	-
Net loss and comprehensive loss		**(58,591)**	**(65,300)**	**(157,379)**	**(127,931)**
Basic and diluted loss per share		**(0.02)**	**(0.03)**	**(0.06)**	**(0.05)**
Weighted average shares outstanding		**2,816,051**	**2,816,051**	**2,816,051**	**2,816,051**

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

Graphite Energy Corp.
Condensed Interim Statement of Changes in Shareholders' Equity
(Expressed in Canadian dollars - Unaudited)

		Share capital			
	Note	**Number of shares**	**Amount - $ -**	**Deficit - $ -**	**Total - $ -**
Balance at June 30, 2018		**2,816,051**	**1,617,389**	**(1,009,457)**	**607,932**
Net and comprehensive loss for the period		-	-	(127,931)	(127,931)
Balance at December 31, 2018	**5**	**2,816,051**	**1,617,389**	**(1,137,388)**	**480,001**
Balance at June 30, 2019		**2,816,051**	**1,617,389**	**(1,920,855)**	**(303,466)**
Net and comprehensive loss for the period		-	-	(157,379)	(157,379)
Balance at December 31, 2019	**5**	**2,816,051**	**1,617,389**	**(2,078,234)**	**(460,845)**

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

Graphite Energy Corp.
Condensed Interim Statement of Cash Flows
(Expressed in Canadian dollars - Unaudited)
For the six months ended

	December 31, 2019 $	December 31, 2018 $
Operating activities		
Loss for the period	(157,379)	(127,931)
Net change in non-cash working capital items:		
GST receivable	12,198	(2,208)
Prepaid expenses	-	5,191
Accounts payable and accrued liabilities	126,760	76,401
Net cash flows used in operating activities	(18,421)	(48,547)
Investing activities		
Expenditures on exploration and evaluation asset	-	(4,034)
Net cash flows used by investing activities	-	(4,034)
Financing activities		
Loans payable	18,000	-
Net cash flows provided by financing activities	18,000	-
Change in cash during period	(421)	(52,581)
Cash, beginning	1,764	147,269
Cash, ending	**1,343**	**94,688**

During the periods ended December 31, 2019 and 2018, the Company had no non-cash transactions.

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

1. Nature of operations and going concern

Graphite Energy Corp. (the "Company") was incorporated on October 14, 2016 under the laws of the province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The Company's shares are listed on the Canadian Security Exchange ("CSE"). During the year ended June 30, 2019, the Company completed a 10 for 1 share consolidation. All references to the number of shares and per share amounts have retroactively restated to reflect the consolidation.

The head office and principal address and registered records office of the Company is located at 789 West Pender Street, Suite 1510, Vancouver, British Columbia, Canada, V6C 1H2.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At December 31, 2019, the Company had not achieved profitable operations, had an accumulated deficit of $2,078,234, had not advanced its mineral property to commercial production and expects to incur further losses in the development of its business, all of which indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its mineral property exploration activities and its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

2. Statement of compliance with International Financial Reporting Standards and basis of preparation

These financial statements were authorized for issue on February 5, 2020, by the directors of the Company.

Statement of compliance with International Financial Reporting Standards
These condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent 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").

The condensed interim financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended June 30, 2019.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended June 30, 2018, except for the following:

The Company has initially adopted IFRS 16 Leases from July 1, 2019. The effect of initially applying this standard did not have a material impact on the Corporation's financial statements. A number of other new standards are also effective from July 1, 2019 but they also did not have a material impact on the Corporation's financial statements.

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

New standards, interpretations and amendments adopted

Except as described below, the accounting policies in these condensed consolidated interim financial statements are the same as those applied in the Company's financial statements for the year ended June 30, 2019.

The changes in accounting policies are also expected to be reflected in the Company's financial statements for the year ending June 30, 2020.

The Company has initially adopted IFRS 16 Leases from July 1, 2019. The effect of initially applying this standard did not have a material impact on the Corporation's financial statements. A number of other new standards are also effective from July 1, 2019 but they also did not have a material impact on the Corporation's financial statements.

A number of new standards, amendments to standards and interpretations are not yet effective as of June 30, 2019, and have not been applied in preparing these financial statements. The following is the Company's new accounting policy for leases under IFRS 16:

IFRS 16, *Leases*

In January 2016, the IASB issued IFRS 16, Leases which replaces IAS 17, Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019. The Company currently has no leases.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a material impact on the Company's financial statements other than note disclosure. The Company has not early adopted these revised standards.

Basis of preparation
These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted. Certain comparative figures may have been reclassified to conform to the current year's presentation.

Significant accounting judgments, estimates and assumptions
The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during this year.

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, valuation of share-based payments, and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

i) Going concern

The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as, expectations of future events that are believed to be reasonable under the circumstances.

ii) Impairment of assets

Economic recoverability and probability of future benefits of exploration and evaluation assets. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

iii) Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures capitalized requires judgment in determining which expenditures are recognized as exploration and evaluation assets and applying the policy consistently. In making this determination, the Company considers the degree to which the expenditure can be associated with finding specific mineral resources.

iv) Deferred taxes

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

v) Share-Based Compensation

The Company uses the fair value method of valuing compensation expense associated with the Company's share-based compensation plan. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant.

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Foreign currency translation

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the period end exchange rate. Non-monetary assets and liabilities measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary assets and liabilities measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of loss and comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exploration and evaluation assets

Exploration and evaluation expenditures relating to mineral properties include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

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 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 corresponding amount is recorded to reserves. The fair value of options is determined using the Black–Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Vesting is determined by the Board of Directors.

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Financial instruments

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

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at June 30, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original Classification IAS 39	New Classification IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Trade payables	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on June 30, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Impairment of assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of loss and comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, and short-term highly liquid investments and bank overdrafts.

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

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

Deferred income tax:
Deferred tax is accounted for using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for temporary differences related to the initial recognition of the assets or liabilities that affect neither accounting nor taxable profit nor investments in subsidiaries, associates and interests in joint ventures to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner and expected date of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilized.

Loss per share
Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercise were used to acquire common shares at the average market price during the reporting period.

2. Statement of compliance with International Financial Reporting Standards and basis of preparation (cont'd)

Restoration and environmental obligations

The Company recognizes liabilities for legal and constructive obligations associated with the retirement of exploration and evaluation assets. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in the regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

The Company did not have any restoration provisions at September 30, 2019 and June 30, 2019.

3. Exploration and evaluation asset

Lac Aux Bouleaux Graphite Project – Quebec, Canada

On December 20, 2016, and amended March 30, 2017 and September 11, 2017, the Company entered into a purchase option agreement ("agreement") with Gold Port Resources Ltd ("GPRL") to earn a 100% interest in the Lac Aux Bouleaux Graphite Project ("LAB Project"). The LAB Project is a contiguous set of 14 claims located in the Province of Quebec. To earn its interest in the project, the Company must pay GPRL $60,000 (paid), a second payment of $60,000 (paid) on the closing date (the date on which the shares of the Company trade on a stock exchange) and a final payment of $60,000 six months from the closing date. Additionally, the Company must issue 5,000,000 common shares (issued) upon signing of the agreement, which shall be subject to a one-year trading restriction from the closing date in addition to any trading restrictions imposed by the British Columbia Securities Commission.

During the year ended June 30, 2019, as a result of the Company's intention to change its business, by entering into a Definitive Agreement with World Farm's Corp. (Note 8), and it's negotiations with GPRL with respect to the final payment of $60,000 (due on April 15, 2018), the Company returned the property to GPRL and fully impaired the property.

3. Exploration and evaluation asset (cont'd)

The Company incurred exploration and evaluation costs during the period ended December 31, 2019 and the year ended June 30, 2019 as follows:

	Period ended December 30, 2019 -$-	**Year ended June 30, 2019 -$-**
Property acquisition costs		
Opening balance	-	370,000
Costs incurred during the year:		
Additions	-	60,000
Impairment	-	(430,000)
Total property acquisition costs	-	**-**
Exploration and evaluation costs		
Opening balance	-	209,376
Costs incurred during the year:		
Administration	-	81
Assaying	-	1,613
Camp operations	-	-
Consulting	-	2,341
Drilling	-	-
Travel and accommodation	-	-
Impairment	-	(213,411)
Total exploration and evaluation costs	-	**-**
Ending Balance	-	**-**

4. Trade payables and accrued liabilities

	December 31, 2019 -$-	June 30, 2019 -$-
Trade payables	91,318	78,851
Amounts due to related parties (Note 6)	347,688	226,144
Accrued liabilities	6,350	13,600
Total	**445,356**	**318,595**

5. Share capital and reserves

Authorized share capital

An unlimited number of common shares without par value.

Issued share capital

At period ended December 31, 2019 and the year ended June 30, 2019; there were 2,816,051 issued and fully paid common shares.

There were no share capital transactions in the period ended December 31, 2019 and the year ended June 30, 2019, there were no share capital transactions.

Warrants

During the period ended December 31, 2019, there were no transactions involving warrants.

The following table summarizes information about the warrant transactions during the period ended December 31, 2019 and year ended June 30, 2019:

	Warrants	
	Number of warrants	Weighted average exercise price - $ -
Outstanding, June 30, 2018	**3,175**	**2.00**
Expired	(3,175)	2.00
Outstanding, June 30, 2019	**-**	**-**
Outstanding, December 31, 2019	**-**	**-**

Stock options

The Board has approved a Stock Option Plan, designed for selected employees, officers, directors, consultants and contractors, to incentivize such individuals to contribute toward the Company's long-term goals, and to encourage such individuals to acquire shares as long-term investments. The Stock Option Plan is administered by the Board and authorizes the issuance of stock options not to exceed a total of 10% of the number of shares issued and outstanding from time to time. The terms of any award are determined by the Board, provided that no options may be granted at less than the fair market value of shares as of the date of the grant. The maximum term of the options is ten years.

5. Share capital and reserves (cont'd)

Stock options *(cont'd)*

As at the period ended December 31, 2019 and the year ended June 30, 2019, the Company has nil options outstanding.

Stock option reserve

The share-based payment reserve records items recognized as share-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

6. Related party transactions

Balances

The following amounts due to related parties are included in trade payables and accrued liabilities (Note 4) and have arisen from the unpaid portion of certain fees disclosed below as well as amounts owing for expense reimbursements. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

	December 31, 2019 - $ -	**June 30, 2019 - $ -**
Companies controlled by directors and an officer of the Company	222,545	146,000
Director and officer of the Company	125,144	80,144
	347,688	226,144

Transactions

During the six months ended December 31, 2019, the Company incurred management fees of $45,000 (December 31, 2018 - $ 40,901) to the CEO of the Company and director fees of $45,000 (December 31, 2018 - $ 30,000) to a company controlled by a director of the Company. The Company also incurred consulting and professional fees of $30,000 (December 31, 2018 - $ 30,000) with a company controlled by the CFO of the Company.

7. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is summarized as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts at a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk is assessed as low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to necessary levels of equity funding. Liquidity risk is assessed as high.

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As at December 31, 2019, the Company had no financial assets or liabilities denominated in a foreign currency and foreign exchange risk is assessed as low.

Interest rate risk

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

Capital Management

The Company's policy is, if permitted by market conditions, to maintain a strong capital base so as to support investor and creditor confidence and support future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves net of accumulated deficit. The Company is not subject to any externally imposed capital requirements and there were no changes to the Company's capital management for the period ended December 31, 2019.

Fair value

The Company's financial instruments consist of cash, trade payables and amounts due to related parties. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these investments.

7. Financial risk and capital management (cont'd)

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

Cash is measured at fair value using Level 1 inputs.

8. Transaction

During the year ended June 30, 2019, the Company announced that it has entered into a business combination agreement dated June 25, 2019 (the "Definitive Agreement") with World Farms Corp. ("WFC"), pursuant to which the Company will acquire all of the issued and outstanding securities of WFC (the "Transaction"), as more particularly described below. WFC owns a portfolio of international cannabis assets.

The Transaction is subject to a number of terms and conditions as set forth in the Definitive Agreement, including (among other things) the approval of the CSE. If completed, the Transaction will constitute a "Fundamental Change" of the Company; as such term is defined in CSE policies.

Pursuant to the Definitive Agreement, the Company will acquire all of the issued and outstanding securities of WFC from WFC's security holders. Each shareholder of WFC will receive one common share of the Company for each common share of WFC held. The share purchase warrants of WFC will also be exchanged for share purchase warrants of the Company. Upon completion of the Transaction, WFC will become a wholly-owned subsidiary of the Company and the Company will change its name to "World Farms Corp.", or such other name as the parties may reasonably agree upon. The combined entity will continue the business of WFC.

The Transaction is conditional upon:

(i) the representations and warranties of each of GRE and WFC, as set out in the Definitive Agreement, being true and correct in all material respects at the closing of the Transaction;
(ii) the absence of any material adverse change in the business of each of the parties;
(iii) the parties receiving all requisite regulatory approval, including the approval of the Exchange, and any third-party approvals and authorizations;
(iv) WFC and GRE obtaining the requisite shareholder approvals for the Transaction; and
(v) the parties obtaining requisite board approvals for the Transaction.

During the period ended December 31, 2019, the Company received a loan from WFC of $18,000 to fund working capital requirements. The loan is unsecured, non-interest bearing and have no fixed terms of repayment.

During the period ended December 31, 2019, on October 15, 2019, all matters submitted to the shareholders for approval as set out in the Company's Notice of Meeting and Information Circular, including matters pertaining to the Transaction, were approved by the requisite majority of votes cast at the annual general and special meeting of shareholders.