CULMINA VENTURES CORP.

Financial Statements
(Expressed in Canadian Dollars)

As at and for the period from incorporation on
March 25, 2019 to December 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Culmina Ventures Corp.

Opinion

We have audited the accompanying financial statements of Culmina Ventures Corp. (the "Company"), which comprise the statement of financial position as at December 31, 2019, and the statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the period from incorporation on March 25, 2019 to December 31, 2019, 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 December 31, 2019, and its financial performance and its cash flows for the period from incorporation on March 25, 2019 to December 31, 2019 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 audit 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 net loss of $230,193 for the period from incorporation on March 25, 2019 to December 31, 2019 and, as of that date, the Company's current liabilities exceeded its current assets by $98,848. 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 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.

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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 Alyson Neil.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

April 28, 2020

CULMINA VENTURES CORP.
Statement of Financial Position
(Expressed in Canadian dollars)

		As at December 31, 2019
Assets		
Current Assets		
Cash	**$**	**3,095**
Accounts receivable		**3,940**
Investment (Note 4)		**3,105**
Total Assets	**$**	**10,140**
Liabilities and Shareholders' Deficiency		
Current Liabilities		
Accounts payable and accrued liabilities	**$**	**87,373**
Promissory note payable (Note 6)		**21,615**
		108,988
Shareholders' Deficiency		
Share capital (Note 7)		**124,653**
Share-based payment reserve		**6,692**
Deficit		**(230,193)**
		(98,848)
Total Liabilities and Shareholders' Deficiency	**$**	**10,140**

Nature and continuance of operations (Note 1)
Subsequent event (Note 12)

Approved on Behalf of the Board on April 28, 2020:

"Scott Ackerman"	*"Doug McFaul"*
Scott Ackerman – CEO/Director	Doug McFaul – CFO/Director

The accompanying notes are an integral part of these Financial Statements.

CULMINA VENTURES CORP.
Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

		For the period from incorporation on March 25, 2019 to December 31, 2019
Expenses		
Administration and bank charges	$	**7,772**
Finance expense (Note 6)		**1,545**
Management fees		**20,000**
Professional fees		**76,455**
Shareholder communication and filing fees		**1,111**
Share-based payments		**6,692**
Transaction costs (Note 7(b))		**99,653**
		(213,228)
Other items		
Unrealized loss on investments at fair value (Note 4)		**(16,965)**
Loss and comprehensive loss for the period	**$**	**(230,193)**
Weighted average number of shares outstanding – basic and diluted (Note 7)		**23,299,178**
Basic and diluted loss per share (Note 8)	**$**	**(0.01)**

The accompanying notes are an integral part of these Financial Statements.

CULMINA VENTURES CORP.
Statement of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)

	Share Capital Number (Note 7)	Amount	Reserves	Deficit	Total Shareholders' Deficiency
Balance, (incorporation) – March 25, 2019	**-**	**$ -**	**$ -**	**$ -**	**$ -**
Common shares issued - Cash	5,000,000	25,000	-	-	25,000
Common shares issued – Plan of Arrangement	19,930,500	99,653	-	-	99,653
Share-based payments	-	-	6,692	-	6,692
Loss for the period	-	-	-	(230,193)	(230,193)
Balance, December 31, 2019	**24,930,500**	**$ 124,653**	**$ 6,692**	**$ (230,193)**	**$ (98,848)**

The accompanying notes are an integral part of these Financial Statements.

CULMINA VENTURES CORP.
Statement of Cash Flows
(Expressed in Canadian dollars)

		For the period from incorporation on March 25, 2019 to December 31, 2019
Cash provided by / (used for):		
Operating Activities:		
Loss for the period	$	**(230,193)**
Item not involving cash:		
Accrued interest expense		**1,545**
Share-based payments		**6,692**
Transaction costs		**99,653**
Unrealized losses on investment at fair value		**16,965**
Net change in non-cash working capital items:		
Accounts payable and accrued liabilities		**87,373**
Accounts receivable		**(3,940)**
		(21,905)
Financing Activities:		
Proceeds from share issuance		**25,000**
		25,000
Increase in cash for the period		**3,095**
Cash, beginning of the period		**-**
Cash, end of the period	**$**	**3,095**
Supplemental information:		
Interest paid	**$**	-
Income taxes	**$**	-

There were two non-cash transactions during the period from incorporation on March 25, 2019 to December 31, 2019. The Company issued 19,930,500 common shares per the Plan of Arrangement (Note 1), and shares were received for a note payable of $20,070.

The accompanying notes are an integral part of these Financial Statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Culmina Ventures Corp. (the “Company” or “Culmina”) was incorporated under the British Columbia Business Corporations Act on March 25, 2019. The head office and records and registered office is located at 1600 – 609 Granville Street, Vancouver, British Columbia V7Y 1C3.

The Company is currently managing its investment portfolio and is investigating and evaluating business opportunities to either acquire or in which to participate.

In March 2019, the Company received $25,000 in consideration of the issuance of 5,000,000 common shares of the Company (Note 7).

On May 29, 2019, ECC Diversified Inc. (“ECC”) completed a strategic reorganization of its assets by way of a plan of arrangement (the “Arrangement”) in which it spun out Culmina and other investee subsidiaries. The Arrangement was approved by the shareholders of ECC on May 17, 2019 and the Supreme Court of British Columbia issued its final order approving the Arrangement on May 28, 2019.

Pursuant to the terms of the Arrangement, ECC distributed to each shareholder of ECC, as of April 17, 2019, one common share in the capital of Culmina for every common share in the capital of ECC held. As a result, 19,930,500 common shares of the Company were issued (Note 7).

The Company incurred a net loss and comprehensive loss of $230,193 for the period ended December 31, 2019. As at December 31, 2019, the Company has an accumulated deficit of $230,193 and a working capital deficiency of $98,848. Continuing business as a going concern is dependent upon the ability of the Company to obtain additional debt or equity financing, both of which are uncertain. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

These financial statements have been prepared in accordance with IFRS with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. These interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(a) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year included:

i. Income tax

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

ii. Stock options

Determining the fair value of stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(b) Critical accounting judgment

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the statements are, but are not limited to, the following:

i. Going concern

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss and financial instruments classified as available-for-sale, 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 were authorized by the Audit Committee and the Board of Directors of the Company on April 28, 2020.

(b) Share-based payments

The stock option plan allows Company directors, officers, employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share-based payment reserve to share capital.

In situations where equity instruments are issued to non-employees and some or all of the services received by the entity as consideration cannot be specifically identified, they are all measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of the services received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Share-based payments (continued)

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

(c) Share capital

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(d) Income (loss) per share

The Company presents basic and diluted income (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted income (loss) per share is calculated by dividing the income by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted income (loss) per share is the same as basic income (loss) per share.

(e) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(f) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. The Company does not have any provisions for the period presented.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantially enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Financial instrument measurement and valuation

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 assets or liability either directly or indirectly; and
Level 3	Inputs that are not based on observable market data.

The measurement of the Company's financial instruments is disclosed in Note 11 to these financial statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instrument measurement and valuation (continued)

IFRS 9*, Financial Instruments* (new; replaces IAS 39)

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9 and, therefore, the accounting policy with respect to financial liabilities is unchanged.

The following is the new accounting policy for financial assets under IFRS 9:

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) 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.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statement of (loss) income in the period.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss) in which they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instrument measurement and valuation (continued)

Impairment of financial assets at amortized cost: The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

The following table shows the classification of the Company's financial assets under IFRS 9:

Financial asset	IFRS 9 Classification
Cash	Amortized cost
Accounts receivable	Amortized cost
Investment – MedMen Enterprises Inc.	FVTPL
Accounts payable & accrued liabilities	Amortized cost
Promissory note payable	Amortized cost

(i) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

(Expressed in Canadian dollars)

4. INVESTMENTS

All of the Company's investments have been classified as FVTPL.

	December 31, 2019	
	Fair value	**Cost**
	$	**$**
Publicly traded securities	**3,105**	**20,070**
	3,105	**20,070**

Changes in the Company's investments at fair value were as follows:

	December 31, 2019
	$
Opening Balance	**-**
Acquisition of marketable securities	**20,070**
Unrealized losses	**(16,965)**
Ending Balance	**3,105**

Publicly traded securities

The Company's publicly traded securities can be sold at any time at the Company's discretion subject to market conditions and from time to time hold period restrictions of not more than four months pursuant to the terms of each respective private placement subscription agreement, as well as escrow restrictions, if applicable. As at December 31, 2019 the Company’s investments consisted of the following:

i. **MedMen Enterprises Inc. (“MedMen”)**
As at December 31, 2019, the Company holds 4,500 common shares in MedMen valued at $3,105. MedMen is a publicly traded company listed on the Canadian Securities Exchange.

5. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

5. RELATED PARTY TRANSACTIONS (continued)

As of December 31, 2019, $Nil was due to related parties.

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them are recorded at their exchange amounts as agreed upon by transacting parties.

During the period from incorporation on March 25, 2019 to December 31, 2019, $5,375 was recorded as share-based compensation costs for key management personnel. The Company also paid management fees of $20,000 to ECC Diversified.

The Company has secured a promissory note with a related party; ECC is a shareholder of the Company. See Note 6 for details relating to this promissory note.

6. PROMISSORY NOTE

ECC DIVERSIFIED INC.

Pursuant to an agreement dated March 25, 2019, the Company purchased 4,500 common shares of MedMen from ECC for an aggregate price of $20,070, payable by promissory note. The principal outstanding under this promissory note bears interest at the simple rate of 10% per annum. The entire unpaid principal and any interest is fully and immediately payable upon demand of ECC. The Company may repay the principal and all accrued interest thereon at any time and from time to time without notice or penalty.

Interest expense for the period from incorporation on March 25, 2019 to December 31, 2019 was $1,545. As at December 31, 2019, a total of $1,545 has been recorded as interest payable.

7. SHARE CAPITAL

(a) Authorized

Unlimited number of common and preferred shares without par value.

(b) Issued and outstanding

As at December 31, 2019 the Company had 24,930,500 common shares issued and outstanding.

On March 25, 2019, the Company received $25,000 through the issuance of 5,000,000 common shares at $0.005 per share.

(Expressed in Canadian dollars)

7. SHARE CAPITAL

(b) Issued and outstanding (continued)

On May 29, 2019, ECC completed a strategic reorganization of its assets in which it spun out certain assets into Culmina. The transaction was carried out by way of an Arrangement pursuant to the *Business Corporations Act* (British Columbia). Under the terms of the Arrangement, shareholders of ECC received one common share of the Company for every common share of ECC they held as of April 17, 2019; as a result, 19,930,500 common shares of the Company were issued. The value associated with these shares is $0.005 per share for a total of $99,653 recorded to transaction costs.

	Number of Shares	Amount
		$
Balance, (incorporation) March 25, 2019	**-**	**-**
March 25, 2019 – share issuance	5,000,000	25,000
May 29, 2019 – plan of arrangement	19,930,500	99,653
Balance, December 31, 2019	**24,930,500**	**124,653**

(c) Stock options

On March 25, 2019, the Company adopted a stock option plan (the "Stock Option Plan") whereby it can grant incentive stock options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares that may be reserved for issuance under the Stock Option Plan is limited to 10% of the issued and outstanding common shares of the Company at any time. The vesting period for all options is at the discretion of the Board of Directors. The exercise price will be set by the Board of Directors at the time of grant and cannot be less than the discounted market price (if any) of the Company's common shares.

The Stock Option Plan provides that the number of common shares that may be reserved for the issuance to any one individual upon exercise of all stock options held by such an individual may not exceed 5% of the issued and outstanding common shares, if the individual is a director or officer, or 2% of the issued and outstanding common shares, if the individual is a consultant or engaged in providing investor relations services, on a yearly basis. All options granted under the Stock Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability. Options granted under the Stock Option Plan are not transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(c) Stock options (continued)

On May 29, 2019, the Company granted a total of 2,490,000 incentive stock options to officers and a consultant to the Company, which vested immediately, having an exercise price of $0.02 per share and expire in five years.

Share purchase option transactions are summarized as follows:

		Options
	Number	**Weighted Average Exercise Price**
Balance, (incorporation) March 25, 2019	**-**	**$ -**
Grants	2,490,000	0.02
Outstanding and exercisable, December 31, 2019	**2,490,000**	**$ 0.02**

The fair value of the options granted was determined to be $6,692 using the Black-Scholes option pricing model under the following assumptions: risk-free interest rate – 1.36%; expected life – 5 years; expected volatility – 100% and expected dividends – nil.

Grant Date	Number of options Outstanding and Exercisable	Exercise Price	Expiry date	Remaining contractual life (years)
May 29, 2019	2,490,000	$0.02	May 29, 2024	4.41
Total	**2,490,000**	**$0.02**		**4.41**

8. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the period ended December 31, 2019 was based on the loss attributable to common shareholders of $230,193 and the weighted average number of common shares outstanding of 23,299,178.

(Expressed in Canadian dollars)

9. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2019
Loss before income taxes	**230,193**
Expected income tax recovery at statutory rates	**(62,000)**
Change in statutory, foreign tax, foreign exchange rates and other	**(5,000)**
Change in unrecognized deferred tax assets	**67,000**
Income tax expense (recovery)	**-**

Significant components of the Company's deferred income tax assets (liabilities) not recognized are shown below:

	2019	Expiry
	$	
Marketable Securities	**2,000**	**N/A**
Non-capital losses carried forward	**65,000**	**2039**

10. MANAGEMENT OF CAPITAL

The Company defines capital as consisting of shareholder's deficiency (comprised of issued share capital, share-based payment reserve, and deficit). Management's objective is to provide investment management services to shareholders which includes investing in marketable securities for the purpose of returns in the form of investment income and capital appreciation, as well as the ability to meet its on-going operational obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at December 31, 2019, the Company is not subject to any externally imposed capital requirements.

11. FINANCIAL INSTRUMENTS

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. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Market Risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at December 31, 2019, the Company is not exposed to currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market risk. The Company’s sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

(iii) Price rate risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Management closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Given the Company’s limited market exposure at this time it has assessed there to be a low level of price rate risk. The Company is also exposed to price risk with respect to its investments classified as FVTPL. A 10% change in the share prices of investments classified as FVTPL would affect profit or loss by approximately $300.

11. FINANCIAL INSTRUMENTS (continued)

Market Risk (continued)

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2019, the Company has limited sources of revenue and has a cash balance of $3,095 to settle current liabilities of $108,988. As such, the Company has insufficient cash to fund corporate overhead costs and the repayment of the Company's debt obligations for the next year.

Until such time as the Company's investments increase in value or begin generating significant dividend income, the Company will remain dependent upon the financial support of its shareholders and debt holders or the sale of investments. If the Company is unable to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

Additionally, the Company likely has insufficient funds from which to finance any identified business acquisition and as such will require additional financing to accomplish the Company's long-term strategic objectives. Future funding may be obtained by means of issuing share capital and/or debt financing. There can be no certainty of the Company's ability to raise additional financing through these means. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

Consequently, the Company is exposed to liquidity risk as at December 31, 2019.

Fair Value Risk

When participating in investment activities, the Company may incur losses if it is unable to resell the securities it has purchased or if it is forced to liquidate its holdings at less than their respective carrying values. The Company is also exposed to fair value risk as a result of its trading activities in publicly traded securities. All of the Company's investments are carried on a FVTPL basis and are recorded at their fair value. As such, changes in fair value affect earnings as they occur.

(Expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS (continued)

Fair Value Risk (continued)

The fair value of cash, accounts payable and accrued liabilities, and promissory note payable at December 31, 2019 approximate their carrying values due to their short term to maturity.

As of December 31, 2019, the determination of estimated fair value of the Company's investments was as follows:

		Estimated fair values		
	December 31, 2019	**Level 1**	**Level 2**	**Level 3**
	$	**$**	**$**	**$**
FVTPL investments	3,105	3,105	-	-
	3,105	3,105	-	-

12. SUBSEQUENT EVENT

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.