NAMEX VENTURES INC.
(FORMERLY NAMEX EXPLORATIONS INC.)

Financial Statements

For the years ended

September 30, 2019 and 2018

(Expressed in Canadian dollars)

.

manning elliott

17th floor, 1030 West Georgia St., Vancouver, BC, Canada V6E 2Y3

Tel: 604. 714. 3600 **Fax:** 604. 714. 3669 **Web:** manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Namex Ventures Inc.

Opinion

We have audited the financial statements of Namex Ventures Inc. which comprise the statements of financial position as at September 30, 2019 and 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' 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 audits 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 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 accompanying financial statements, which indicates that the Company incurred a net loss of $153,856 for the year ended September 30, 2019 and, as of that date, the Company had an accumulated deficit of $22,296,202. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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 audits of the financial statements, our responsibility is to read the other information identified above 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.

If, based on the work we have performed on this other information, 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

Auditors’ 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 auditors’ 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 auditors’ report to the related disclosures in the consolidated 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 auditors’ 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 auditors’ report is Fernando J Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
January 24, 2020

NAMEX VENTURES INC.
(FORMERLY NAMEX EXPLORATIONS INC.)
Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	September 30 2019	September 30 2018
		$	$
Assets			
Current			
Cash		45,333	-
GST receivable		3,369	1,718
		48,702	1,718
Investments in associate	6	528,279	-
Other assets	5	200,000	-
		776,981	**1,718**
Liabilities			
Current			
Bank indebtedness		-	484
Accounts payable and accrued liabilities	8	15,529	31,613
Due to related parties	8	57,000	30,000
		72,529	62,097
Equity (Deficiency)			
Share capital	9	20,959,205	20,365,918
Contributed surplus	9	2,041,449	1,716,049
Deficit	9	(22,296,202)	(22,142,346)
		704,452	(60,379)
		776,981	**1,718**

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 13)

Approved by the Board:

“George H Gale”
………………………………………………… Director
Chairman

“John Schillinger”
………………………………………………… Director
Chief Financial Officer

NAMEX VENTURES INC.
(FORMERLY NAMEX EXPLORATIONS INC.)
Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Note	Year Ended September 30 2019	Year Ended September 30 2018
		$	$
EXPENSES			
Bank charges		301	-
General and administrative		25,413	-
Professional fees	8	137,785	-
Regulatory and filing fees		40,657	-
Rent	8	4,000	-
Salaries		16,500	-
Share-based compensation	9	53,702	-
Loss before other items		278,358	-
Other items			
Equity loss on investment	6	6,866	-
Foreign exchange loss		1,957	-
Gain on debt settlements	9	(133,325)	-
NET LOSS AND NET COMPREHENSIVE LOSS		153,856	-
LOSS PER SHARE – Basic and diluted		(0.01)	(0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		17,881,988	17,242,808

NAMEX VENTURES INC.
(FORMERLY NAMEX EXPLORATIONS INC.)
Statements of Changes in Equity (Deficiency)
(Expressed in Canadian Dollars)

	Common Shares				
	Number of Shares	**Amount**	**Contributed Surplus**	**Deficit**	**Total**
		$	$	$	$
Balance, September 30, 2017 and 2018	**17,242,808**	**20,365,918**	**1,716,049**	**(22,142,346)**	**(60,379)**
Shares issued for settlement of debt	5,164,330	103,287	116,271	-	219,558
Shares issued for investment in associate	14,500,000	290,000	155,427	-	445,427
Shares issued for Cultivation Agreement	10,000,000	200,000	-	-	200,000
Share-based compensation	-	-	53,702	-	53,702
Net loss and comprehensive loss	-	-	-	(153,856)	(153,856)
Balance, September 30, 2019	**46,907,138**	**20,959,205**	**2,041,449**	**(22,296,202)**	**704,452**

See accompanying notes to the financial statements.

NAMEX VENTURES INC.
(FORMERLY NAMEX EXPLORATIONS INC.)
Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended September 30 2019	Year Ended September 30 2018
	$	$
OPERATING ACTIVITIES		
Loss for the year	(153,856)	-
Items not involving cash:		
Equity loss on investment	6,866	-
Gain on debt settlement	(133,325)	-
Share-based compensation	53,702	-
Changes in non-cash working capital balances:		
GST receivable	(1,652)	-
Accounts payable and accrued liabilities	57.000	-
Due to related parties	56,800	-
Cash used in operating activities	(114,465)	-
INVESTING ACTIVITIES		
Investments in associate	(89,718)	-
Cash used in investing activities	(89,718)	-
FINANCING ACTIVITIES		
Proceeds from promissory notes	250,000	-
Decrease in bank indebtedness	(484)	-
Cash from financing activities	249,516	-
Increase in cash	45,333	-
Cash, beginning of year	-	-
Cash, end of period	45,333	-
Supplemental disclosures:		
Interest paid	-	-
Income taxes paid	-	-
Non-cash transactions:		
Shares issued for settlement of debt	219,558	-
Shares issued for Cultivation Agreement	200,000	-
Shares issued for investment in associate	445,427	-

1. NATURE OF OPERATIONS AND GOING CONCERN

Namex Ventures Inc. (formerly Namex Explorations Inc.) (the “Company”) was incorporated in Canada pursuant to the Canada Business Corporation Act. The Company’s head office is B01 – 185 Provencher Boulevard, Winnipeg, MB R2H 0G4.

The Company is a public company whose principal business activities were the exploration and development of natural resources in Canada. In fiscal year 2019, the Company identified a new business of cultivating and processing hemp for the extraction of CBD for sale in the health and wellness market. The Company’s common shares were listed for trading under the symbol NME. During the fiscal year 2015, the Company’s common shares were halted for failure to file its annual financial statements. As a result, the Company’s securities were suspended until revocation of the Cease Trade Order (“CTO”) on September 5, 2019.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. The Company incurred a loss of $153,856 for the year ended September 30, 2019, and, as of that date, had accumulated losses of $22,296,202 since inception.

The Company’s ability to continue as a going concern is dependent on the Company being able to satisfy its liabilities as they become due and to obtain the necessary financing to complete the growth of hemp and extraction of cannabinoid products, the attainment of profitable operations and/or the receipt of proceeds from the disposition of its property interests. Many factors influence the Company’s ability to raise funds, including the climate for investment.

These conditions indicate the existence of material uncertainty that may cast significant doubt regarding the Company’s ability to continue as a going concern.

Management is pursuing all possible sources of financing. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the statement of financial position classifications used. The financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

The Company has been able to have the CTO removed and anticipates being listed on a stock exchange in Canada in fiscal year 2020. The Company currently has sufficient funds to cover costs related to the revocation of the CTO and for expenses related to the listing on a stock exchange. There is no assurance that the Company will be able to raise sufficient funds to finance the new business.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These financial statements have been have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by International Accounting Standards Board ("IASB").

These financial statements were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on January 24, 2020.

(b) Presentation

These financial statements are prepared on an accrual basis and are based on historical costs except for certain financial instruments which are measured at fair value as explained in the accounting policies set out in Note 4. The financial statements are presented in Canadian dollars unless otherwise noted. The functional currency of the Company is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(c) Functional and presentation currency

The financial statements are presented in Canadian dollars which is the functional currency of the Company.

3. RECENT ACCOUNTING PRONOUNCEMENTS

(a) Adoption of New or Amended Accounting Standards

IFRS 9, Financial Instruments: Classification and Measurement - The Company adopted all of the requirements of IFRS 9 for the annual period beginning on October 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

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
Financial assets:		
Cash	FVTPL	FVTPL
Financial liabilities:		
Bank Indebtedness	FVTPL	FVTPL
Accounts payable	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

(a) Adoption of New or Amended Accounting Standards (continued)

IFRS 15, Revenue from Contracts with Customers – IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It has replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company has adopted the amendments to IFRS 15 in its financial statements for the annual period beginning on October 1, 2018 with no resulting adjustments.

(b) New accounting standards and amendments issued, but not yet effective

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

The following standard will be adopted by the Company effective October 1, 2019:

IFRS, 16 Leases - IFRS 16 will be *effective for accounting periods beginning on or after January 1, 2019 and is to be applied retrospectively. The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, the IFRS16 removes the classification of leases as either operating leases or finance leases. Certain short-term leases and leases on low-value assets are exempt from the requirement and may be treated as operating leases. Early adoption is permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The adoption of this standard is not expected to have material impact on the Company's financial statements.*

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Significant Accounting Judgments, Estimates and Assumptions

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant areas requiring the use of management estimates include estimates used in determining financial instruments and deferred income tax assets and liabilities. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Significant Accounting Judgments, Estimates and Assumptions (continued)

Significant judgements, estimates and assumptions that have the most significant effect on the amounts recognized in these consolidated financial statements include:

(i) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitor future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

(ii) Deferred income taxes

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

(iii) The inputs used in accounting for share-based payments and warrants

Management uses valuation techniques in measuring the fair value of stock options and warrants granted. The fair value is often determined using the Black-Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of the share options, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions could have a material impact on the Company's financial statements.

(iv) Impairment of investment in associate

The carrying amounts of the Company's investment in associate are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of the investment exceeds its recoverable amount. The recoverable value of the investment is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

(b) Financial Instruments

(i) Classification and measurement

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company classifies its financial instruments in the following categories: at amortized cost, at fair value through other comprehensive income (loss) ("FVTOCI"), or at fair value through profit ("FVTPL").

<u>Financial assets</u>

The Company determines the classification of financial assets at initial recognition. The classification of financial instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial Instruments (continued)

(i) Classification and measurement (continued)

i) Financial assets at amortized cost

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost using the effective interest rate method. The Company does not have any financial assets measured at amortized cost.

ii) Financial assets at FVTOC

Financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and sell financial assets, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured 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).

The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to retained earnings. The Company does not have any financial assets classified as FVTOCI.

iii) Financial assets at FVTPL

By default, all other financial assets are measured subsequently at FVTPL. The Company's cash is measured at FVTPL.

<u>Financial liabilities</u>

All financial liabilities are initially recorded at fair value and classified as measured at amortized cost or FVTPL.

i) Amortized cost

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method except for financial liabilities at FVTPL, financial guarantee contracts, loan commitments as below-market interest rate, and liabilities related to contingent consideration of an acquirer in a business combination. The Company's accounts payable and due to related parties are measured at amortized cost.

ii) Financial liabilities at FVTPL

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial Instruments (continued)

(i) Classification and measurement (continued)

ii) Financial liabilities at FVTPL (continued)

FVTPL are recognized in the statements of comprehensive loss. The Company's bank indebtedness is classified as FVTPL.

(ii) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component.

(c) Investment in associate

The Company has an investment in an associate. An associate is an entity over which the Company exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without control or joint control over those policies. The Company accounts for its investment in associate using the equity method of accounting. Investment in the associate accounted for using the equity method is initially recognized at cost. Subsequent to initial recognition, the carrying value of the Company's investment in an associate is adjusted for the Company's share of comprehensive income (loss) and distributions of the investee. The carrying value of the associate is assessed for impairment at each statement of financial position date.

(d) Joint arrangements

A joint arrangement classified as such when the arrangement provides joint control to the parties. Joint control is the contractually agreed sharing of control of an arrangement which exists only when decisions about the relevant activities require unanimous consent of parties sharing control. The Company recognizes joint arrangements as either joint ventures or joint operations depending on the circumstances of each arrangement. The assets, liabilities and results of joint operations are included within the respective line items of the statements of financial position, statements of comprehensive loss, statements of changes in equity (deficiency) and statements of cash flows where an arrangement is classified as a joint operation. Arrangements classified as a joint venture are accounted for using the equity method of accounting. The Company's interest in an investee is initially recorded at cost and is subsequently adjusted for the Company's share of changes in the net assets of the investee, less any impairment in the value of individual investments, and any dividends paid. Currently the Company has not classified any arrangements as a joint venture or a joint operation.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income Taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in profit or loss for the year except to the extent that it relates to items recognized either in other comprehensive income (loss) or directly in equity, in which case it is recognized in other comprehensive income (loss) or in equity, respectively. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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 purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. 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 substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference 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.

(f) Share Capital and Warrants

The Company records in shareholders' equity proceeds from share issuances net of issuance costs and any tax effects. Common shares issued for consideration other than cash are valued based on their fair value at the date the agreement to issue shares was concluded. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity.

The Company allocates the proceeds received upon issue of equity units for cash, consisting of shares and warrants, using residual method with respect to the measurement of shares and warrants issued.

(g) Share-based Payments

From time to time, the Company grants options to purchase common shares to directors, officers, employees and non-employees. The Company accounts for share-based payments, including stock options, at their fair value on the grant date and recognizes the cost as a compensation expense over the period that the employees become entitled to the award. The fair value of the options on the grant date is determined using the Black-Scholes pricing model for stock option awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. A corresponding increase is recognized in shareholders' equity for these costs.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Loss per Share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares issued and outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per common share. Diluted and basic loss per share are the same because the effects of potential issuances of shares under options and warrants would be anti-dilutive.

(i) Foreign currency

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates (“the functional currency”), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

5. OTHER ASSETS

On March 30, 2019, the Company entered into a binding Letter of Agreement (the “Cultivation Agreement”) with 2683859 Ontario Ltd. (“2683859”), whereby the principals of 2683859 agreed to provide expertise to establish an EU GMP facility in Jamaica commencing by December 31, 2019, and to oversee the day to day activities in the facility for five years. The Company issued 10 million common shares with a fair value of $200,000 to 2683859 in consideration for entering into the Cultivation Agreement.

The Company is amortizing the consideration over the term of the Cultivation Agreement.

6. INVESTMENTS IN ASSOCIATE

On April 6, 2019, the Company entered into a Letter of Agreement (the “Property Agreements”) with Dion Tetrault, the holder of 25% of Gillespie Farmers Delight Company Limited (“GFDCL”). Under the terms of the Property Agreement, the Company acquired 25% interests in GFDCL by the issuance of 13.5 million Units with a fair value of $425,427. Each Unit comprised one common share and one share purchase warrant exercisable for five years at a price of $0.10 per share.

On July 30, 2019 the Company entered into a Joint Venture Agreement with Errol A. Gillespie, who owns 52.5% of GFDCL, and Preferred Dental Technologies Inc. (“PDTI”), which owns 22.5% of GFDCL. By virtue of its purchase of the Dion Tetrault shares, the Company owns 25% of GFDCL. Under the terms of the Joint Venture Agreement, the Company is committed to provide up to US $3 million capital contribution to facilitate initial activities related to growing, cultivating, and processing industrial hemp. During the year ended September 30, 2019, the Company paid US $ 67,000 to GFDCL.

On September 16, 2019, the Company issued 1,000,000 common shares with a fair value of $20,000 as a finder's fee for the Property Agreements.

(Expressed in Canadian Dollars)

6. INVESTMENTS IN ASSOCIATE (continued)

The following table summarizes the change in investment in the associate for the year ended September 30, 2019:

	$
Balance, September 30, 2018	-
Consideration paid	535,145
Equity loss on investment	(6,866)
Balance, September 30, 2019	528,279

7. PROMISSORY NOTES

During the year ended September 30, 2019, the Company entered into various Promissory Notes Agreements (the "Notes") for $250,000. The Notes were due on or before November 30, 2019 and were non-interest bearing other than at 6% in the event of default. The Notes were repaid pursuant to various debt settlements in which the Company issued 2,500,000 units with a fair value of $50,202. Each Unit comprised one common share and one share purchase warrant exercisable for one year at a price of $0.25 per share.

8. RELATED PARTY TRANSACTIONS

Unless otherwise noted, amounts due to related parties are non-interest bearing, unsecured and have no fixed terms of repayment. The following related party transactions were in the normal course of operation.

a) The Company defines key management personnel as officers and directors of the Company and/or entities controlled by them. During the year ended September 30, 2019 and 2018, the Company incurred following key management compensation charges:'

	2019	**2018**
	($)	**($)**
Professional fees	57,000	-
Share-based payments	48,194	-
Total	105,194	-

During the year ended September 30, 2019, the Company was charged $30,000 in professional fees (2018: $ nil) by the President of the Company. As at September 30, 2019, $30,000 remains outstanding in due to related parties.

During the year ended September 30, 2019, the Company was charged $25,000 in professional fees (2018: $ nil) by the Vice President & Chief Operation Officer of the Company. As at September 30, 2019, $25,000 remains outstanding in due to related parties.

During the year ended September 30, 2019, the Company was charged $2,000 in professional fees (2018: nil) by the Chief Financial Officer of the Company. As at September 30, 2019, $2,000 remains outstanding in due to related parties.

During the year ended September 30, 2019, the Company granted 3,500,000 stock options to certain directors and officers of the Company at an exercise price of $0.10 for a period of five years from the date of grant. These options had a fair value of $48,194.

8. RELATED PARTY TRANSACTIONS (continued)

b) Included in accounts payable and accrued liabilities is $ nil (2018 – $26,037) owing to the Chief Executive Officer of the Company. During the year ended September 30, 2019, the amounts were settled pursuant to a debt settlement in which the Company issued 295,870 common shares with a fair value of $5,917. As the transaction involves creditors that are also shareholders of the Company acting in the capacity thereof, the resulting difference of $20,120 is recognized in the statements of changes in equity (deficiency).

c) Included in due to related parties is $ nil (2018 – $30,000) owing to former directors of the Company. During the year ended September 30, 2019, the amounts were settled pursuant to a debt settlement in which the Company issued 300,000 common shares with a fair value of $6,000. As the transaction involves creditors that are also shareholders of the Company acting in the capacity thereof, the resulting difference of $24,000 is recognized in the statements of changes in equity (deficiency).

d) During the year ended September 30, 2019, the Company received $5,000 in promissory note (the “Note”) from the Chief Financial Officer of the Company. The Note was due on or before November 30, 2019 and was non-interest bearing other than at 6% in the event of default. The Note was settled pursuant to a debt settlement in which the Company issued 50,000 Units with a fair value of $1,000 resulting in a gain on settlement of debt of $4,000. Each Unit comprised one common share and one share purchase warrant exercisable for one year at a price of $0.25 per share.

e) During the year ended September 30, 2019, the Company paid $4,000 in rent (2018: $ nil) to a Company controlled by certain officers of the Company.

9. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued

On September 16, 2019, the Company issued 1,000,000 common shares with a fair value of $20,000 as a finder's fee for the investment in associate (Note 6).

On September 16, 2019, the Company issued 2,000,000 Units with a fair value of $54,473 in connection with various debt settlement agreements entered into with arm’s length creditors. Each Unit comprised one common share and one share purchase warrant exercisable for three years at a price of $0.10 per share. Total fair value of $40,000 was allocated to share capital and $14,473 to warrants based on their relative fair values. The fair value of the warrants was calculated using the Black-Scholes option pricing model assuming a share price of $0.02, an expected life of 3 years, a risk-free interest rate of 1.56%, an expected dividend rate of 0%, and an expected annual volatility of 109%.The debt had a carrying value of $40,000. On completion of the debt settlement, the Company recorded a loss on settlement of $14,473.

On September 16, 2019, the Company issued 664,330 common shares with a fair value of $13,287 in connection with various debt settlement agreements entered into with the Company’s shareholders. The debt had a carrying value of $62,883. As the transaction involves creditors that are also shareholders of the Company acting in the capacity thereof, the resulting difference of $49,596 is recognized in the statements of changes in equity (deficiency).

On September 23, 2019, the Company issued 1,850,000 Units with a fair value of $37,202 in connection with various debt settlement agreements entered into with arm’s length creditors.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

(b) Issued (continued)

Each Unit comprised one common share and one share purchase warrant exercisable for one year at a price of $0.25 per share. Total fair value of $37,000 was allocated to share capital and $202 to warrants based on their relative fair values. The fair value of the warrants was calculated using the Black-Scholes option pricing model assuming a share price of $0.02, an expected life of 1 year, a risk-free interest rate of 1.70%, an expected dividend rate of 0%, and an expected annual volatility of 96%.The debt had a carrying value of $185,000. On completion of the debt settlement, the Company recorded a gain on settlement of $147,798.

On September 23, 2019, the Company issued 650,000 Units with a fair value of $13,000 in connection with a debt settlement agreement entered into with the Company's shareholder. Each Unit comprised one common share and one share purchase warrant exercisable for one year at a price of $0.25 per share. The total fair value of the unit was allocated to share capital. The debt had a carrying value of $65,000. As the transaction involves a creditor that is also a shareholder of the Company acting in the capacity thereof, the resulting difference of $52,000 is recognized in the statements of changes in equity (deficiency).

On September 23, 2019, the Company issued 13,500,000 Units with a fair value of $425,427 for the investment in associate (Note 6). Each Unit comprised one common share and one share purchase warrant exercisable for five years at a price of $0.10 per share. Total fair value of $270,000 was allocated to share capital and $155,427 to warrants based on their relative fair values. The fair value of the warrants was calculated using the Black-Scholes option pricing model assuming a share price of $0.02, an expected life of 5 year, a risk-free interest rate of 1.40%, an expected dividend rate of 0%, and an expected annual volatility of 110%.

On September 23, 2019, the Company issued 10,000,000 common shares with a fair value of $200,000 for the Cultivation Agreements (Note 5).

(c) Stock options

The Company has adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the applicable stock exchange's requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Pursuant to the Option Plan, the number of common shares reserved for issuance will not exceed 20% of the issued and outstanding common shares of the Company. Options granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

A summary of the Company's outstanding stock options at September 30, 2019 and 2018, and the changes for the years then ended is presented below:

	Number of options	Weighted average exercise price $
Outstanding, September 30, 2017 and 2018	-	-
Granted	3,900,000	0.10
Exercised	–	–
Forfeited	–	–
Cancelled	–	–
Outstanding, September 30, 2019	3,900,000	0.10

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

(c) Stock options (continued)

On September 17, 2019, the Company granted an aggregate of 3,900,000 incentive stock options under its stock option plan to certain officers, directors and consultants of the Company, subject to vesting provisions. The options are exercisable at a price of $0.10 for a period of five years from the date of grant.

During the year ended September 30, 2019, the Company recognized share-based compensation of $53,702 (2018 - $nil).

The Company uses the Black-Scholes option pricing model to estimate the fair value for all share-based compensation. The assumptions used in this pricing model and the resulting weighted average fair values per option are as follows:

Share price	$0.02
Risk-free interest rate	1.47%
Expected life	5 years
Expected volatility	126%
Expected dividend yield	0%
Expected forfeiture rate	0%

Details of stock options outstanding and exercisable as at ended September 30, 2019 are as follows:

Expiry Date	Exercise Price	Weighted average remaining contractual life (years)	Outstanding	Exercisable
September 16, 2024	$0.10	4.97	3,900,000	3,900,000

There were no stock options outstanding and exercisable as at September 30, 2018.

(d) Warrants

A summary of the Company's outstanding warrants at September 30, 2019 and 2018, and the changes for the periods then ended is presented below:

	Number of warrants	Weighted average exercise price $
Outstanding, September 30, 2017 and 2018	-	-
Granted	18,000,000	0.12
Exercised	–	–
Forfeited	–	–
Cancelled	–	–
Outstanding, September 30, 2019	18,000,000	0.12

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

(d) Warrants (continued)

Details of warrants outstanding as at ended September 30, 2019 are as follows:

Expiry Date	Weighted average exercise price $	Weighted average remaining contractual life (years)	Outstanding
September 15, 2022	0.10	2.96	2,000,000
September 22, 2020	0.25	0.98	2,500,000
September 22, 2024	0.10	4.98	13,500,000
	0.12	4.46	18,000,000

There were no warrants outstanding as at September 30, 2018.

10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(a) Fair Values and Classification of Financial Instruments

The Company's financial instruments consist of cash, bank indebtedness, accounts payable and due to related parties. Financial instruments are classified into one of the following categories: FVTPL, FVTOCI, or amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	September 30, 2019	September 30, 2018
		$	$
Cash	FVTPL	45,333	-
Bank Indebtedness	FVTPL	-	484
Accounts payable	Amortized cost	15,529	31,613
Due to related parties	Amortized cost	57,000	30,000

The Company's financial instruments are categorized in a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

10. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(a) Fair Values and Classification of Financial Instruments (continued)

The fair value of cash and bank indebtedness is determined based on “Level 1” inputs, which consist of quoted prices in active markets for identical assets. The carrying values of accounts payable and due to related parties approximate their fair values because of their nature and relatively short maturity dates or durations.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

Concentration of credit risk exists with respect to the Company’s cash is placed with a major Canadian financial institution. The Company is not exposed to significant credit risk on its cash.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company’s cash equivalents may be redeemed upon demand without significant penalty, but its reclamation deposits are restricted. At September 30, 2019, the Company had $45,333 cash in the bank. The Company will require additional funds to meet the business requirements for the coming year. The Company is in the process of trying to find investors and trying to raise equity. During the year the Company was able to secure short term financing in order to reduce its liquidity risk. All the Company’s liabilities are due on demand.

d) Interest Rate Risk

The Company is nominally exposed to interest rate risk. The Company’s bank account earns interest income at variable rates. The Company does not have any variable interest rate liabilities.

e) Foreign Currency Risk

The Company is not exposed to significant foreign currency risk.

f) Commodity Price Risk

The Company is not exposed to price risk with respect to commodity prices.

11. CAPITAL MANAGEMENT

The Company defines its capital as shareholders’ equity. Capital requirements are driven by the Company’s activities the growth of hemp and extraction of cannabinoid products. To effectively manage the Company’s capital requirements, the Company needs to raise capital. The Company’s primary source of funds comes from the issuance of capital stock. Although the Company has been successful at raising funds in the past through the issuance of common stock, it is uncertain whether it will continue this financing due to uncertain economic conditions. The Company does not usually use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations. The Company is not subject to any externally imposed capital requirements.

There have been no changes to the Company’s approach to capital management during the year ended September 30, 2019.

(Expressed in Canadian Dollars)

12. INCOME TAXES

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred tax assets and liabilities, are as follows:

	2019	2018
	$	$
Net loss for the year	153,856	-
Canadian statutory income tax rate	27%	27%
Expected income tax recovery	41,541	-
Permanent difference and other	(14,541)	-
Deferred tax assets not recognized	(27,000)	-
Deferred income tax recovery	-	-

The significant components of deferred income tax assets and liabilities are as follows:

	2019	2018
	$	$
Deferred income tax assets		
Non-capital loss carry-forwards	203,000	178,000
Investment in associate	2,000	-
Mineral property	66,000	66,000
Deferred income tax asses not recognized	(271,000)	(244,000)
Net deferred tax assets	-	-

The non-capital losses that may be carried forward to apply against future years' income for Canadian income tax purposes will expire as follows:

Available to	$
2026	138,000
2027	294,000
2028	96,000
2029	34,000
2030	9,000
2031	27,000
2032	1,000
2033	52,000
2034	7,000
2039	93,000
	751,000

13. SUBSEQUENT EVENT

On December 16, 2019, the company granted 500,000 options to each of its directors for a total of 3,500,000 options. The options have an exercise price of $0.10 and a term of 10 years.