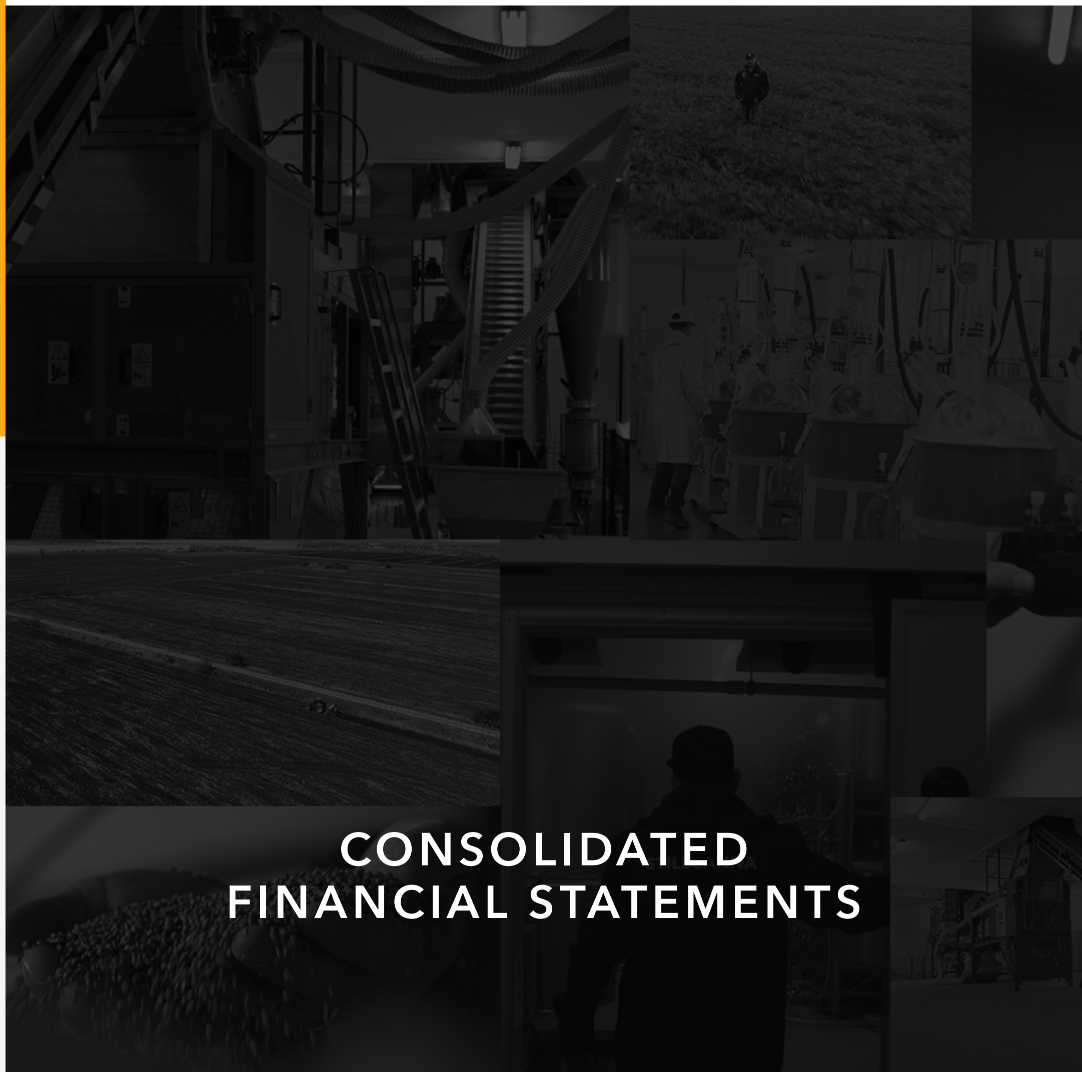
Refining the future.



CONSOLIDATED FINANCIAL STATEMENTS

CSE:STILL
OTC:SCNNF

For the years ended July 31, 2019 and July 31, 2018

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stillcanna Inc. (formerly EVI Global Group Developments Corp.)

Opinion

We have audited the consolidated financial statements of Stillcanna Inc. (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company has incurred losses and negative operating cash flows since inception and the Company's ability to continue its operations is dependent on its ability to raise additional equity financing and to generate operational cash flow from product revenue. 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. The other information comprises the information included in 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 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, 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, 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.

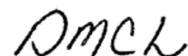
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 David J. Goertz.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

November 29, 2019

An independent firm
associated with Moore
Global Network Limited

STILLCANNA INC. (formerly EVI Global Group Developments Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	July 31, 2019	July 31, 2018
		$	**$**
Assets			
Cash and cash equivalents	**3**	**15,580,243**	97,575
Trade receivables		**107,839**	—
Refundable sales taxes receivable		**212,142**	4,293
Biological assets	**6**	**538,729**	—
Inventories	**7**	**94,251**	—
Prepaid expenses and deposits	**8**	**120,115**	—
Other current assets		**101,693**	—
		16,755,012	101,868
Plant and equipment	**10**	**1,862,138**	—
Intangible assets	**11**	**1,216,000**	—
Goodwill	**11**	**21,387,345**	—
Investment in joint venture	**9**	**2,712,196**	—
Total Assets		**43,932,691**	101,868
Liabilities			
Accounts payable and accrued liabilities		**635,005**	34,791
Current portion of finance lease obligation	**12**	**51,474**	—
Other current liabilities		**85,587**	—
		772,066	34,791
Deferred income tax liability	**17**	**182,400**	—
Long-term portion of finance lease obligation	**12**	**76,241**	—
Total Liabilities		**1,030,707**	34,791
Shareholders' Equity			
Share capital	**13**	**62,479,344**	1,321,783
Reserve		**2,634,741**	276,589
Obligation to issue shares	**13**	**16,250**	—
Equity portion of convertible debt		**1,336**	1,336
Translation reserve		**(116,090)**	—
Deficit		**(22,113,597)**	(1,532,631)
Shareholders' Equity		**42,901,984**	67,077
Total Liabilities and Shareholders' Equity		**43,932,691**	101,868

Approved and authorized for dissemination on behalf of the Board of Directors on November 29, 2019:

"Jason Dussault"
Jason Dussault - Director

"Shae De Jaray"
Shae De Jaray - Director

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

STILLCANNA INC. (formerly EVI Global Group Developments Corp.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

For the Years Ended July 31	2019	2018
	$	$
Revenue (Notes 5 and 18)	**88,814**	—
Cost of sales related to inventory production	**28,581**	—
Gross profit before change in fair value of biological assets	**60,233**	—
Unrealized gain on changes in fair value of biological assets	**36,820**	—
Gross profit	**97,053**	—
Expenses		
Administrative and office	**106,524**	6,117
Amortization (Notes 10 and 11)	**113,242**	—
Advertising	**3,069,369**	—
Bank charges, interest and accretion	**4,600**	845
Consulting (Notes 4 and 5)	**5,913,690**	51,500
Listing fees	**15,069**	—
Filing and transfer agent fees	**60,644**	23,634
Insurance	**30,250**	—
Professional fees	**458,766**	32,717
Share based payments (Note 13)	**1,681,866**	186,200
Travel	**294,054**	—
Wages and salaries	**40,198**	—
Operating loss before other items	**(11,691,219)**	(301,013)
Other items		
Finance income	**47,716**	—
Foreign exchange gain	**5,132**	—
Interest	—	(1,336)
Loss on acquisition of subsidiary (Note 4)	**(8,873,354)**	—
Loss on investment in joint venture (Note 9)	**(78,841)**	—
Loss on debt settlement (Note 13)	—	(18,000)
Impairment of mineral properties	—	(276,584)
Loss before income tax	**(20,590,566)**	(596,933)
Income tax recovery (Note 17)	**9,600**	—
Net loss	**(20,580,966)**	(596,933)
Other comprehensive income		
Currency translation adjustment	**(116,090)**	—
Net loss and comprehensive loss	**(20,697,056)**	(596,933)
Basic and diluted loss per common share	**(0.38)**	(0.03)
Weighted average number of common shares outstanding	**54,787,751**	20,109,233

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

STILLCANNA INC. (formerly EVI Global Group Developments Corp.)
Consolidated Statements of Changes in Equity
For the Years Ended July 31, 2019 and 2018
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Reserve	Equity portion of Convertible Debenture	Obligation to Issue Shares	Translation reserve	Deficit	Total Shareholders' Equity
		$	$	$	$	$	$	$
Balance, July 31, 2017	17,108,000	1,064,883	72,389	—	—	—	(935,698)	201,574
Issuance of convertible note	—	—	—	3,874	—	—	—	3,874
Units issued for cash	5,300,000	249,400	—	—	—	—	—	249,400
Units issued to settle loan	150,000	7,500	18,000	—	—	—	—	25,500
Repayment of convertible note	—	—	—	(2,538)	—	—	—	(2,538)
Fair value of stock options granted	—	—	186,200	—	—	—	—	186,200
Net loss	—	—	—	—	—	—	(596,933)	(596,933)
Balance, July 31, 2018	22,558,000	1,321,783	276,589	1,336	—	—	(1,532,631)	67,077
Units issued for cash	37,187,587	28,365,725	—	—	—	—	—	28,365,725
Share issuance costs	—	(2,732,850)	786,269	—	—	—	—	(1,946,581)
Acquisition of subsidiary	44,800,000	34,721,600	—	—	—	—	—	34,721,600
Exercise of warrants	2,948,805	677,686	(47,283)	—	16,250	—	—	646,653
Exercise of options	330,000	125,400	(62,700)	—	—	—	—	62,700
Fair value of stock options granted	—	—	1,681,866	—	—	—	—	1,681,866
Currency translation adjustment	—	—	—	—	—	(116,090)	—	(116,090)
Net loss	—	—	—	—	—		(20,580,966)	(20,580,966)
Balance, July 31, 2019	107,824,392	62,479,344	2,634,741	1,336	16,250	(116,090)	(22,113,597)	42,901,984

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

STILLCANNA INC. (formerly EVI Global Group Developments Corp.)
Consolidated Statements of Cash Flows
For the Years Ended July 31, 2019 and 2018
(Expressed in Canadian dollars)

	2019	2018
	$	$
Cash flows from operating activities		
Loss before income tax	(20,590,566)	(596,933)
Adjustments for non-cash items:		
Finders and consulting fees paid	4,694,000	—
Impairment of mineral properties	—	276,584
Interest expense	—	1,336
Loss on investment in joint venture	78,841	—
Loss on acquisition of subsidiary	8,873,354	—
Loss on settlement of loan	—	18,000
Share based payments	1,681,866	186,200
Amortization	113,242	—
Changes in non-cash working capital items:		
Trade receivables	2,039	—
Refundable sales tax receivable	(207,849)	(4,104)
Prepaid expenses and deposits	185,164	—
Accounts payable and accrued liabilities	(638,896)	(11,621)
Other current liabilities	(17,322)	—
Inventory	104,990	—
Biological asset additions	(538,729)	—
Other current assets	(110,384)	—
Cash used in operating activities	(6,370,250)	(130,538)
Cash flows from investing activities		
Investment in plant and equipment	(1,386,201)	—
Cash received on acquisition of subsidiary	54,965	—
Investment in Premium Extraction	(2,209,119)	—
Leasehold improvements	(25,866)	—
Acquisition of Olimax	(2,000,000)	—
Cash received on acquisition of Olimax	290,642	—
Mineral property costs	—	(14,084)
Net cash used in investing activities	(5,275,579)	(14,084)
Cash flows from financing activities		
Exercise of warrants	630,403	—
Exercise of options	62,700	—
Issuance of convertible debentures	—	25,000
Obligation to issue shares	16,250	
Proceeds from loans payable	—	60,533
Repayment of convertible debentures	—	(25,000)
Repayment of loans	—	(68,353)
Units issued for cash, net of issuance costs	26,419,144	249,400
Net cash provided by financing activities	27,128,497	241,580
Net increase in cash	15,482,668	96,958
Cash and cash equivalents, beginning	97,575	617
Cash and cash equivalents, ending	15,580,243	97,575

Non-cash investing and financing transactions:

Shares issued for asset acquisition	9,450,000	—
Shares issued for business combination	20,577,600	—
Shares issued for debt settlement	—	7,500

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

1. NATURE AND CONTINUANCE OF OPERATIONS

StillCanna Inc. (formerly EVI Global Group Developments Corp.) (the "Company") was incorporated under the Business Corporations Act (British Columbia). The head office, principal address and records office of the Company are located at 503-905 West Pender St., Vancouver, British Columbia, V6C 1L6.

On March 15, 2019, the Company changed its name from EVI Global Group Developments Corp. to StillCanna Inc. and now trades under the symbol "STIL" on the Canadian Securities Exchange.

On February 26, 2019, the Company acquired all of the issued and outstanding shares of Borganic Consulting Inc. ("Borganic") in exchange for 15,000,000 common shares of the Company (the "Transaction") (Note 4). Borganic is focused on the commercial extraction of cannabidiol ("CBD") from industrial hemp. In connection with the Transaction, the Company also issued 1,800,000 common shares to certain finders and 2,000,000 common shares to certain consultants in exchange for financial advisory services. Upon closing of the Transaction, Borganic became a wholly owned subsidiary.

On May 7, 2019, the Company acquired all of the issued and outstanding shares of Olimax NT SP. Z .O.O. ("Olimax") (Note 5) in exchange for $2,000,000 in cash and 24,000,000 common shares of the Company. The Company issued 1,300,000 common shares to certain finders and 700,000 common shares to certain consultants in exchange for financial advisory services.

On October 3, 2018, the Company completed a plan of arrangement ("Arrangement") whereby it spun out its investments in mineral property interests to its wholly owned subsidiaries ("Subco") through conversion of Class A Preferred Shares and issuance of up to 17,108,000 common shares in each Subco, to the shareholders of the Company on a previously set record date for the Arrangement of April 12, 2018, excluding shareholders from the January 12, 2018 offering who did not qualify under the Arrangement.

<u>Going concern</u>
These financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. A number of alternatives including, but not limited to selling an interest in one or more of its assets or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

2. BASIS OF PRESENTATION

These financial statements, including comparative figures, have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency, on a historical cost basis, except for biological assets which are recorded at fair value less costs to sell.

Use of estimates and judgements

The preparation of these Consolidated Financial Statements requires the use of estimates and judgements that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and the underlying assumptions which are used to create these estimates are reviewed on an ongoing basis by the Company's management. Any revisions to accounting estimates are recognized in the period which the estimates are revised and in any future periods effected.

i) Biological assets and inventory

In calculating the value of biological assets and inventory, the Company's management is required to make a number of estimates including the following:

- The stage of growth of industrial hemp compared to point of harvest;
- Yield of saleable flower produced at harvest date; and
- Concentration of cannabidiol ("CBD") at harvest date.

In calculating inventory values, management is required to determine an estimate of the obsolete inventory and compare the inventory cost to estimated net realizable value.

ii) Business combinations

Management uses judgement when determining whether an acquisition constitutes a business combination, or an acquisition of assets based on the facts and circumstances of the transaction by comparison to the criteria listed in IFRS 3 – Business Combinations. In order to determine the purchase price of a business combination, including any acquisition-related contingent consideration, and determining the allocation of the purchase price requires estimation of fair value of the non-cash consideration and fair value of the assets acquired and liabilities assumed.

iii) Property, plant and equipment and intangible assets

In calculating the depreciation and amortization expense, management is required to make estimates of the expected useful lives of property and equipment and intangible assets.

iv) Share-based compensation

The Company uses the Black-Scholes Option-Pricing Model to determine the grant date fair value of share-based compensation. The following assumptions are used in the model:

- Expected volatility;
- Risk-free interest rate;
- Fair value; and
- Expected option life.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Borganic and Olimax. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets acquired, liabilities assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Goodwill represents the difference between total consideration paid and the fair value of the net-identifiable assets acquired. Acquisition costs incurred are expensed to profit or loss.

(b) Investment in Joint Venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in a joint venture are accounted for using the equity method and are initially recognized at cost. The entire carrying amount of the investment is tested for impairment annually.

Under the equity method, the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of comprehensive income less distributions of the joint venture.

The Company's share of its joint venture's post-acquisition profits or losses is recognized in the statement of net income, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements

are adjusted against the carrying amount of the investment. Distributions received from an investee reduce the carrying amount of the investment.

If the Company's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Company does not provide for additional losses, unless it has incurred obligations or made payments on behalf of the joint venture.

(c) Short-term investments

Short-term investments are comprised of GIC's with terms of maturity between three and twelve months or can be redeemed without penalty within 12 months from issuance.

(d) Plant and Equipment

Plant and equipment is measured at cost, net of accumulated depreciation and any impairment losses. Depreciation is recognized on a declining basis using the following rates:

Plant and equipment	3 – 15 years
Leasehold improvements	3 – 10 years
Automobiles	7 – 10 years
Other tangible assets	4 – 5 years

Factors including residual value, useful lives and depreciation methods for each class of property, plant and equipment are reviewed at least annually and adjusted when appropriate. When individual parts of equipment have determinable useful lives which differ from the asset as a whole, they are accounted for as separate items of property, plant and equipment. Land is not depreciated.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item at the date of disposal and recognized in profit or loss. Assets and construction in progress are transferred to building, production equipment, and building improvements when available for use and depreciation of the asset commences at that point.

(e) Biological assets

The Company's biological assets consist of hemp plants. The Company capitalizes all the direct and indirect costs as incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest on an average cost basis. The Company then measures the biological assets at fair value less cost to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. The net unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the statements of loss of the related reporting year.

(f) Inventories

Inventories consists of hemp seeds and cannabinoid oil and supplies that are carried at the lower of cost or net realizable value. Supplies are carried at the lower of cost and replacement cost. Inventory

of harvested hemp and hemp seeds are transferred from biological assets at their fair value less costs to sell at harvest which becomes the deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost basis. Products for resale and supplies and consumables are valued at lower of cost and net realizable value. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventory are written down to net realizable value.

Raw materials held for use in production are not written down below acquisition or cost of production if the products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the products exceeds net realizable value, the materials are written down to net realizable value.

(g) Intangible assets

Intangible assets are recorded at cost less accumulated amortization. Rights are amortized on a straight-line basis in accordance with the substance of the agreements. Amortization methods, useful lives and residual values are assessed at least annually. If the Company identifies events or changes in circumstances which may indicate that their carrying amount is less than the recoverable amount, the intangible assets would be reviewed for impairment.

Customer relationships	5 years
Brands	5 years

(h) Goodwill

Goodwill is only recognized as part of business combinations and is made up of intangible assets with indefinite useful lives that cannot be identified separately. Goodwill is measured at historical cost less any impairment losses. Goodwill is not amortized, but is systematically tested for impairment annually in the fourth quarter or earlier if there is an indication of impairment. An increase in interest rates and a drop in sales or in operating profit are some of the indicators of impairment that management monitors.

(i) Shared-based payments

The Company operates a stock option plan. The Company may grant stock options to buy capital stock of the Company to directors, officers and employees from time to time. The board of directors grant such options for periods of up to ten years, with vesting periods determined at its discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options is measured at grant date, using the Black-Scholes Option Pricing Model, and is recognized over the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents consist of the following:

	2019	2018
Cash held in banks	$ 5,545,694	$ 97,575
Guaranteed investment certificate	10,034,549	—
	$ 15,580,243	$ 97,575

(k) Deferred income taxes

Deferred income tax assets and liabilities are recognized for deferred income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realised, or the liability settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it more likely than not that a deferred income tax asset will be recovered, the deferred income tax assets is reduced. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

(l) Loss per share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is calculated by dividing income available to common shareholders by the weighted average number of shares outstanding on a diluted basis. The weighted average number of shares outstanding on a diluted basis takes into account the additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period. Because the Company incurred net losses, the effect of dilutive instruments would be anti-dilutive and therefore diluted loss per share equals basic loss per share.

(m) Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The functional currency of Olimax, the subsidiary that has operations in Poland is the Polish Zloty. The functional currency of Borganic is the Canadian dollar.

Transactions and balances:

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

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

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

(n) Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been

recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(o) Revenue recognition

Effective August 1, 2018, the Company has adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 replaces all previous revenue recognition standards, including IAS 18 Revenue ("IAS 18"), and related interpretations. The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company has concluded that there was no cumulative effect adjustment required to be recognized on adoption.

Under IFRS 15, revenue from the sale of hemp, and hemp related products is recognized at a point in time when control over the goods has been transferred to the customer. The Company transfers control and satisfies its performance obligation upon delivery and acceptance by the customer. The Company recognizes revenue in the amount that the Company expects to receive after taking into account any variation that may result from rights of return.

Provisions for warranties and product liability are recognized when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

(p) Financial instruments

On August 1, 2018, the Company retrospectively adopted IFRS 9 - Financial Instruments ("IFRS 9") which replaced IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard also introduces additional changes relating to financial liabilities, amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment and introduces a new general hedge accounting standard which aligns hedge accounting more closely with risk management.

The adoption of IFRS 9, retrospectively without restatement, did not have a significant impact on the measurement of the Company's financial instruments in the financial statements. The following are the Company's new accounting policies under IFRS 9:

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial asset/ liability	Original classification IAS 39	New classification IFRS 9
Cash and cash equivalents	Fair value through profit and loss	Amortized cost
Trade receivables	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

Non-derivative 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 classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Measurement and classification of financial assets is dependent on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value, and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit and loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated specifically as hedges.

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. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. Gains and losses on derecognition of financial assets classified amortized cost are recognized in profit or loss.

Financial liabilities

For financial liabilities, the new standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to the Company's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. Financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

Derivative instruments

Derivative instruments, including embedded derivatives in executory contracts or financial liability contracts, are classified as at FVTPL and, accordingly, are recorded in the statement of financial position

at fair value. Unrealized gains and losses on derivatives not designated in a hedging relationship are recorded as part of other operating income (expense) or non-operating income (expense) in profit depending on the nature of the derivative. Fair values for derivative instruments are determined using inputs based on market conditions existing at the balance sheet date or settlement date of the derivative. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract. Accounts receivable related to provisionally priced sales are measured at fair value with changes recognized in the statement of loss and comprehensive loss as a component of revenue.

Expected credit losses

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. The Company is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

(q) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease commencement date at the lower of the fair value of the leased property and the present value of the minimum lease payments.

(r) New accounting standards and interpretations

A number of new accounting standards, amendments to standards, and interpretations have been issued but not yet effective up to the date of issuance of the Company's financial statements. The following standard is relevant to the Company’s financial statements:

IFRS 16 – Leases

IFRS 16, Leases, new standard contains a single lessee accounting model, eliminating the distinction between operating and financing leases from the perspective of the lessee. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements, effective for annual reporting periods beginning on or after January 1, 2019. The Company does not have any material lease agreements and does not expect the adoption of this standard to materially impact its financial statements.

4. ASSET ACQUISITION

Acquisition of Borganic

In connection with the Transaction, the Company issued 15,000,000 common shares with a fair value of $9,450,000.

At the Transaction date, the Company determined that Borganic did not constitute a business as defined under IFRS 3, Business Combinations, and the Transaction was accounted for as an asset acquisition. There were no intangible assets identified that met the recognition criteria under IFRS; therefore. the excess of the consideration paid over the fair value of the monetary assets and liabilities assumed was expensed.

The details of the consideration paid and the assets and liabilities of Borganic is as follows:

Consideration paid:	$
Fair value of shares issued (15,000,000 at $0.63 per shares)	9,450,000
Less: Value of net assets acquired	
Cash	54,965
Investment in Premium Extractions Services	1,622,982
Accounts payable/accruals	(25,358)
Note payable	(1,026,255)
Due to related party	(49,688)
Net assets acquired	**576,646**
Other consideration paid:	
Finders' fees	1,134,000
Advisory fees	1,260,000
Loss on acquisition	**11,267,354**

Per financial statements	$
Loss on acquisition	8,873,354
Finders' fee included in consulting expense	1,134,000
Advisory fees included in consulting expense	1,260,000
	11,267,354

The Company granted 1,800,000 common shares as a finder's fee for a fair value of $1,134,000 and 2,000,000 common shares as an advisory fee with a fair value of $1,260,000.

5. BUSINESS COMBINATION

Acquisition of Olimax

On May 7, 2019, the Company acquire all of the shares of Olimax, a privately held Polish company involved in hemp production and manufacturing and selling cannabidiols oils, in exchange for $2,000,000 and the issuance of 24,000,000 common shares.

At the time of the acquisition, the Company determined that Olimax constituted a business as defined under IFRS 3, Business Combinations, and accounted for it as such. The Company has recognized the identifiable assets and liabilities acquired at their estimated acquisition date fair values.

During the year ended July 31, 2019, management finalized the purchase price allocation of Olimax based on the Company's estimated fair value of assets acquired and liabilities assumed at the acquisition date:

Consideration paid:		
Cash	$	2,000,000
Common shares issued (3,936,000 @ $1.15)		4,526,400
Restricted commons shares issued (20,064,000 @ $0.80)		16,051,200
Total consideration paid	$	**22,577,600**
Less: Value of net assets acquired		
Assets		
Cash	$	290,642
Accounts receivable		109,878
Inventories		199,241
Plant and equipment		377,248
Assets under finance lease		162,023
Deposits on equipment		305,279
Other assets		144,834
Customer relationships		450,000
Brand, licenses and channels		830,000
Goodwill		21,387,345
Total assets	$	**24,256,490**
Liabilities		
Accounts payable	$	(247,279)
Other payables		(102,626)
Loans		(942,094)
Deferred tax liability		(192,000)
Lease liability		(144,891)
Total liabilities	$	**(1,678,890)**
Net assets acquired	$	**22,577,600**

The restricted common shares value was estimated using a commonly used option model that estimates the discount related to the lack of marketability of the shares from the contractual restriction.

From the date of this acquisition to July 31, 2019, Olimax contributed $88,814 in revenue. The amount of loss attributable to the acquisition, from the date of acquisition to July 31, 2019, is $25,482. The goodwill recognized on the acquisition is primarily attributed to the assembled workforce and the synergies which will contribute to operational efficiencies within the Company.

The Company granted 1,300,000 common shares as a finder's fee with a fair value of $1,495,000 and 700,000 common shares as an advisory fee with a fair value of $805,000.

6. BIOLOGICAL ASSETS

The Company defines biological assets as hemp plants up to the point of harvest. Biological assets are measured at their fair value less costs to sell. This is determined using a model which estimates the expected harvest yield in kilograms for plants currently being cultivated, and then adjusts the amount by the expected selling costs per kilogram ("Kg").

The following significant unobservable inputs were used by management as part of the fair value model:

- Estimated selling price per Kg – With no previous sales history, Company's management evaluated industry data and expects to closely approximate the expected selling price.

- Stage of growth – The Company applied a weighted average number of days out of the 120 day growing cycle that biological assets have reached as of the measurement date based on historical evidence. The Company assigns fair value on a straight-line basis according the stage of growth and estimated costs to complete cultivation.

- Plant yield – represented by the expected number of Kg of finished hemp flower and content of cannabidiol as a percentage of weight to be obtained from each harvested hemp plant based on historical evidence.

Other unobservable inputs include: Estimated post-harvest costs, costs to complete and wastage.

All inputs noted above are classified as level three on the fair value hierarchy.

The following table quantifies each significant unobservable input and provides the impact of a 20% increase or decrease that each input would have on the fair value of biological assets:

	July 31, 2019	July 31, 2018	Impact of 20% change – July 31, 2019	Impact of 20% change – July 31, 2018
Estimated selling price per Kg	$5	n/a	$149,265	n/a
Estimated stage of growth	37%	n/a	$107,745	n/a
Estimated flower yield per hectare (Kg)	330	n/a	$107,745	n/a

The changes in the carrying value of biological assets during the period are as follows:

		2019		2018
Opening balance	$	—	$	—
Production costs capitalized		**501,909**		—
Change in fair value less cost to sell		**36,820**		—
	$	**538,729**	$	—

7. INVENTORIES

Inventories consist of $94,251 (2018 - $nil) in work in progress.

8. PREPAID EXPENSES

		2019		2018
Deposits on land leases	$	82,463	$	—
Deposit on office lease		3,698		—
Marketing and consulting services		25,988		—
Other prepaid expenditures		7,966		—
	$	120,115	$	—

9. INVESTMENT IN JOINT VENTURE

The Company currently holds a 49% interest in a joint venture, Premium Extraction Services Ltd. ("Premium"). Premium is focused on the extraction and distillation of CBD oils from hemp. The determination of Premium as a joint venture was based on Premium's structure through a separate legal entity whereby neither the legal form nor the contractual arrangement gives the owners' rights to the assets and obligations for the liabilities within the normal course of business, nor does it give the rights to the economic benefits of the assets or responsibilities for settling liabilities associated with the arrangement.

The Company and its joint venture partner signed a shareholder's agreement, effective December 4, 2018, providing financial and operational support as needed in proportion to its interest in Premium for Premium's expenses and obligations. The agreement does not impose any guarantees from the Company and/or its joint venture partner. Operational expenses advanced to Premium under the terms of the shareholder agreement are unsecured and shall be reimbursed by the joint venture from such date that the joint venture has sufficient funds in cash to do so. Capital expenditures made by

the Company under the terms of the shareholder agreement are unsecured and will transfer from the Company to the joint venture at a rate of 2.78% per month from the beginning of operations.

Summarized statement of comprehensive loss for investment in joint venture under equity accounting:

For the period from acquisition on February 26, 2019 to July 31, 2019	**2019**
	$
Revenues	—
Expenses	
General and administration	159,906
Other items	
Foreign exchange loss	994
Net Loss	160,900
Share of equity investment	49%
Company's share of net loss	78,841

The summary of the Company's investment in joint venture is as follows:

	2019
	$
Balance at July 31, 2018	—
Additions from asset acquisition	1,622,982
Contributions made to the joint venture	1,168,055
Loss on investment in joint venture	(78,841)
Balance at July 31, 2019	2,712,196

10. PLANT AND EQUIPMENT

	Plant and equipment	Transportation equipment	Leasehold improvements	Assets under construction	Other tangible assets	Total
Cost:	$	$	$	$	$	$
Balance, August 1, 2018	—	—	—	—	—	—
Additions	439,556	—	25,866	862,799	42,940	1,371,161
Additions from the business combination (Note 5)	339,761	195,224	—	3,415	871	539,271
Balance July 31, 2019	779,317	195,224	25,866	866,214	43,811	1,910,432
Accumulated depreciation:						
Balance, August 1, 2018	—	—	—	—	—	—
Depreciation	28,196	15,732	4,311	—	1,003	49,242
Exchange adjustments	(593)	(332)	—	—	(23)	(948)
Balance, July 31, 2019	27,603	15,400	4,311	—	980	48,294
Net book value, July 31, 2019	**751,714**	**179,824**	**21,555**	**866,214**	**42,831**	**1,862,138**

The carrying amount of assets under finance leases included in transportation equipment is $142,416 (2018 - $nil).

11. INTANGIBLE ASSETS AND GOODWILL

	Customer Relationships	Brands	Goodwill	Total
Cost:	**$**	**$**	**$**	**$**
Balance, August 1, 2018	—	—	—	—
Additions from the business combination (Note 5)	450,000	830,000	21,387,345	22,667,345
Balance July 31, 2019	450,000	830,000	21,387,345	22,667,345
Accumulated depreciation:				
Balance, August 1, 2018	—	—	—	—
Depreciation	22,500	41,500	—	64,000
Balance, July 31, 2019	22,500	41,500	—	64,000
Net book value, July 31, 2019	427,500	788,500	21,387,345	22, 603,345

12. LEASES

Finance lease obligations

	2019	2018
Gross finance lease liabilities – minimum lease payments:	$	$
No later than 1 year	55,293	—
Later than 1 year and no later than 5 years	79,219	—
	134,512	—
Future finance charges on lease liabilities	(6,797)	—
Present value of finance lease liability	127,715	—
Current	51,474	—
Non-current	76,241	—

The Company's future minimum payments under non-cancellable, operating lease arrangements for lands, buildings and equipment, as at July 31, 2019 and July 31, 2018 are as stated in the table below:

	2019	2018
	$	$
Not later than 1 year	55,293	—
Later than 1 year and no later than 5 years	79,219	—
	134,512	—

13. SHARE CAPITAL

a. Authorized: unlimited common shares without par value
unlimited preferred shares without par value

b. Issued and Outstanding:

On October 10, 2018, the Company closed a private placement for proceeds of $4,000,000 and issued 16,000,000 units at a price of $0.25 per unit. Each unit consists of one common share and one-half warrant. Each warrant is exercisable into one common share at a price of $0.50 per share for 1 year. In connection with the private placement, the Company paid cash finders' fees of $87,900 and 421,200 finder's warrants with a fair value of $252,720. Each warrant is exercisable into one common share at $0.50 until October 10, 2019. Finders' fees were valued using the Black-Scholes Option Pricing Model using the following input assumptions:

Risk-free interest rate	2.09%
Estimated life	1 year
Expected volatility	332%
Expected dividend yield	0%

On March 14, 2019, the Company acquired all of the issued and outstanding shares of Borganic in exchange for 15,000,000 common shares of the Company (the "Transaction"). In connection with the Transaction, the Company also issued 1,800,000 common shares to certain finders and 2,000,000 common shares to certain consultants in exchange for financial advisory services.

On May 7, 2019, the Company issued 24,000,000 common shares as partial consideration for the purchase of Olimax. The shares are subject to a lock-up agreement whereby they are released 1/12 every three months over 3 years. The Company issued 1,300,000 common shares to certain finders and 700,000 common shares to certain consultants in exchange for financial advisory services.

On May 7, 2019, the Company closed a private placement for proceeds of $24,365,000 and issued 21,187,587 units at a price of $1.15 per unit. Each unit consists of one common share and one-half warrant. Each warrant is exercisable into one common share at a price of $1.73 per share for 1 year. In connection with the private placement, the Company paid a commission equal to 7.0% of the gross proceeds of the offering and issued warrants to acquire that number of Units which is equal to 7.0% of the aggregate number of subscription receipts sold under the offering. Each compensation warrant is exercisable at the issue price for a period of 12-months following the date the escrow release conditions are satisfied. The agent also received an advisory fee of $384,629 and 333,410 advisory warrants in connection with the offering. Each advisory warrant is exercisable at the issue price for a period of 12-months following the date the escrow release conditions are satisfied. Finders' fees were valued using the Black-Scholes Option Pricing Model using the following input assumptions:

Risk-free interest rate	1.82%
Estimated life	1 year
Expected volatility	83%
Expected dividend yield	0%

At July 31, 2019, the Company has 20,064,000 shares in escrow (2018 – Nil). 8.3% of the escrowed shares will be released from escrow every three months, beginning on August 6, 2019.

On January 12, 2018, the Company closed a non-brokered private placement financing of gross proceeds of $265,000 consisting of the issuance of 5,300,000 units of the Company at a price of $0.05 per unit. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant is exercisable into one common share at a price of $0.10 per share for a period of five years. The fair value of the warrants was determined to be $nil. In connection with the private placement the Company paid cash finder fees of $15,600.

On January 12, 2018, the Company settled loans payable in the amount of $7,500 through issuance of 150,000 units valued at a price of $0.05 per unit. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant is exercisable into one common share at a price of $0.10 per share for a period of five years. The fair value of the warrants was determined to be $18,000. In connection with the settlement of loan payable, the Company recorded a loss on settlement of loan of $18,000.

The loan settlement warrants were valued using the Black-Scholes Option Pricing Model using the following input assumptions:

Risk-free interest rate	1.97%
Estimated life	5 years
Expected volatility	246%
Expected dividend yield	0%

Stock options*:*

During the year ended July 31, 2018, the Board approved the adoption by the Company of a new fixed number share option plan (the "Fixed Option Plan"), subject to shareholder and regulatory approval. The Fixed Option Plan is designed to provide certain directors, officers and other key employees of the Company with incentive share options at the discretion of the Board. Under the Fixed Option Plan, the number of Common Shares which will be reserved for issuance, including any options currently outstanding which were granted under the Company's 10% rolling Option Plan will not exceed 10,782,439 Common Shares as of the date of this report. Options are to be granted at the discretion of the Board to Service Providers as defined in the Fixed Option Plan. Capitalized terms used but not defined have the meanings ascribed to them in the Fixed Option Plan.

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance July 31, 2017	35,000	$0.20
Issued	980,000	$0.19
Balance July 31, 2018	1,015,000	$0.19
Issued, August 2, 2018	100,000	$0.19
Issued, October 12, 2018	1,050,000	$0.63
Exercised, March 25, 2019	(125,000)	$0.19
Exercised, March 29, 2019	(125,000)	$0.19
Exercised, April 5, 2019	(80,000)	$0.19
Issued, May 27, 2019	1,800,000	$1.23
Balance, April 30, 2019	3,635,000	$0.87

On August 1, 2019, the Company granted 100,000 options, all of which were issued to directors or officers of the Company. The options vested on the grant date and are exercisable for a period of 5 years at a price of $0.19 per share. Share-based payments relating to these options using the Black-Scholes Option Pricing Model was $19,000.

On October 15, 2019, the Company granted 1,050,000 options, of which, 600,000 were issued to directors or officers of the Company. The options vested on the grant date and are exercisable for a period of 5 years at a price of $0.63 per share. Share-based payments relating to these options using the Black-Scholes Option Pricing Model was $661,500.

Details of the fair value of options granted and the assumptions used in the Black-Scholes Option Pricing Model are as follows:

Risk-free interest rate	2.25%- 2.40%
Estimated life	5 years
Expected volatility	241%-247%
Expected dividend yield	0%

On May 27, 2019, the Company granted 1,800,000 stock options, of which 650,000 were granted to certain directors of the Company. The options are exercisable after three months from the grant date for a period of five years at a price of $1.23 per share. Share-based payments relating to options vesting during the year using the Black-Scholes Option Pricing Model was $1,001,366 (2018: $Nil).

Details of the fair value of options granted and the assumptions used in the Black-Scholes Option Pricing Model are as follows:

Risk-free interest rate	1.82%
Estimated life	5 years
Expected volatility	82.6%
Expected dividend yield	0%

During the year ended July 31, 2019, the Company issued 330,000 common shares resulting from exercise of stock options for total proceeds of $62,700.

As at July 31, 2019, 1,835,000 options are exercisable (2018 – 1,015,000).

During the year ended July 31, 2018, the Company granted 980,000 options to acquire common shares, of which 650,000 stock options were issued to related parties. Share-based payments relating to options vesting during the year using the Black-Scholes Option Pricing Model was $186,200.

Details of the fair value of options granted and the assumptions used in the Black-Scholes Option Pricing Model are as follows:

Risk-free interest rate	2.22%
Estimated life	5 years
Expected volatility	240%
Expected dividend yield	0%

Share purchase warrants:

A summary of the Company's warrant activity is as follows:

	Warrants Outstanding	Weighted Average Exercise Price
Balance, July 31, 2017	—	—
Granted	5,450,000	$0.10
Balance, July 31, 2018	5,450,000	$ 0.10
Granted, October 10, 2018	8,421,200	$0.50
Granted, May 7, 2019	12,076,925	$1.73
Exercised	(2,110,000)	$0.10
Exercised	(838,805)	$0.50
Balance, July 31, 2019	22,999,320	$1.09

During the year ended July 31, 2019, the Company issued 2,948,805 common shares for exercise of warrants for proceeds of $630,403.

In July 2019, the Company received proceeds of $16,250 pursuant to the exercise of 162,500 warrants. Subsequent to the year ended July 31, 2019, these shares were issued.

As of July 31, 2019, the following warrants were outstanding and exercisable:

Number of Warrants Outstanding	Exercise Price	Expiry Date	Number of Common Shares Issuable
3,340,000	$ 0.10	January 12, 2023	3,340,000
7,582,395	$ 0.50	October 10, 2019	7,582,395
10,593,794	$ 1.73	May 7, 2020	10,593,794
1,483,131	$1.15	May 7, 2020	1,483,131
22,999,320			22,999,320

14. FINANCIAL INSTRUMENTS

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using 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 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
Level 3 - Inputs for assets and liabilities that are not based on observable market data.

The fair value of cash and cash equivalents, trade receivables, accounts payable and accrued liabilities, and other current liabilities approximate fair value due to the short-term nature of the financial instruments.

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit risk

Credit risk arises from cash held with banks and financial institutions and receivables. The maximum exposure to credit risk is equal to the carrying value of these financial assets. The Company's cash is primarily held with a major Canadian bank.

Currency risk

A portion of the Company's financial assets and liabilities are denominated in US dollars. The Company monitors this exposure but has no hedge positions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its current obligations as they become due. The majority of the Company's accounts payable and accrued liabilities are payable in less than ninety days. The Company prepares annual budgets and monitors expenditures to manage short-term liquidity. Due to the nature of the Company's activities, funding for long-term liquidity needs is dependent on the Company's ability to obtain additional financing through various means, including equity financing.

The following is an analysis of the contractual maturities of the Company's financial liabilities as at July 31, 2019:

		Within 12 months		**After 12 months**
July 31, 2019				
Accounts payable and accrued liabilities	$	635,005	$	—
Lease liability		55,293		110,002
Other liabilities		85,587		—
Total	$	775,885	$	110,002

Interest rate risk

Interest rate risk mainly arises from the Company's cash, which receives interest based on market interest rates. Fluctuations in cash flows due to changes in market interest rates are negligible.

15. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the growth of the business and finance future expansion while maintaining strong creditor relationships and shareholder return. The Board of Directors do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain 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. The Company is not subject to externally imposed capital requirements and there has been no change with respect to the capital management strategy during the period ended July 31, 2019.

16. RELATED PARTY TRANSACTIONS

The remuneration of directors and key management personnel during the year ended July 31, 2019 and 2018 was as follows:

		2019		**2018**
Consulting fees to Directors and key management personnel	$	326,459	$	29,000
Share-based compensation to directors		758,604		123,000
	$	1,085,063	$	152,000

17. INCOME TAX

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	July 31, 2019	July 31, 2018
Loss for the year	$ (20,590,566)	$ (596,933)
Statutory income tax rate	27%	26%
Expected income tax recovery at statutory income tax rates	(5,559,000)	(155,203)
Permanent differences	4,136,000	48,412
Adjustment to prior years provision versus return	(80,000)	
Origination and reversal of temporary differences	(388,000)	60,653
Change in valuation allowance	1,881,400	46,138
Income tax recovery	$ (9,600)	$ —

Temporary differences that give rise to the following deferred tax assets and liabilities are:

	July 31, 2019	July 31, 2018
Share issuance costs	$ 526,000	$ 3,245
Non-capital losses	1,538,000	223,595
Mineral property interests	140,000	66,777
	2,204,000	293,617
Valuation allowance	(2,198,000)	(293,617)
Deferred tax assets	6,000	—
Deferred tax liabilities		
Intangible assets	(182,400)	—
Plant and equipment	(6,000)	—
Net deferred tax liability	$ (182,400)	$ —

As at July 31, 2019, the Company has approximately $5,635,000 (2018 - $859,000) of non-capital losses in Canada that may be used to offset future taxable income, expiring between 2031 and 2039.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

18. GEOGRAPHICAL INFORMATION

Geographical information relating to the Company's activities is as follows:

	Revenue Year ended July 31, 2019	2018
Europe	$ 88,814	$ —
Canada	—	—
	$ 88,814	$ —

	Long-Term Assets Year ended July 31,	
	2019	**2018**
Europe	$ 1,840,583	$ —
Canada	21,555	—
	$ 1,862,138	$ —

(1) Includes: Plant and equipment