Vodis Pharmaceuticals Inc

VODIS PHARMACEUTICALS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

Vodis Pharmaceuticals Inc

NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited condensed consolidated interim financial statements of Vodis Pharmaceuticals Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

VODIS PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (unaudited)
(Expressed in Canadian Dollars)

	June 30, 2020	March 31, 2020
	$	$
ASSETS		
Current assets		
Cash	96,474	321,468
Receivables (Note 4)	39,601	29,880
Receivable from a related party (Note 9)	10,000	10,000
Prepaid expenses and deposits	33,308	39,058
Total current assets	179,383	400,406
Non-current assets		
Capital assets (Note 5)	1,041,081	1,043,512
	1,041,081	1,043,512
TOTAL ASSETS	1,220,464	1,443,918
LIABILITIES AND DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	560,443	571,093
Accounts payable to related parties (Note 9)	1,421,484	1,349,213
Finance lease liability (Note 7)	357,795	372,471
Facility lease liability (Note 8)	90,288	88,511
	2,430,010	2,381,288
Non-current liabilities		
Facility lease liability (Note 8)	452,451	475,731
Total Liabilities	2,882,461	2,857,019
DEFICIENCY		
Share capital (Note 10)	13,392,485	13,392,485
Obligation to issue shares (Note 10)	71,854	71,854
Equity reserves (Note 10)	2,902,546	2,865,089
Deficit	(18,028,882)	(17,742,529)
Total Deficiency	(1,661,997)	(1,413,101)
TOTAL LIABILITIES AND DEFICIENCY	1,220,464	1,443,918

Nature and continuance of operations (Note 1)
Subsequent events (Note 15)

Approved and authorized by the Board on October 7, 2020

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

VODIS PHARMACEUTICAL INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (unaudited)
(Expressed in Canadian Dollars)

	Three months ended June 30,	
	2020	2019
	$	$
OPERATING EXPENSES		
Consulting (Note 9)	98,475	92,711
Depreciation and amortization (Note 5)	87,361	62,142
Filing and regulatory fees	2,910	2,581
Interest expense (Notes 7 and 8)	11,964	15,442
Office and general	52,131	14,460
Professional fees (Note 9)	18,084	47,963
Salaries and benefits	16,081	-
Shareholder communication and investor relations	-	97
Travel	594	205
Operating expenses	(287,600)	(235,601)
Other income	1,247	-
Net loss	(286,353)	(235,601)
Other comprehensive loss		
Item that may be reclassified to profit or loss:		
Exchange difference on translation of subsidiary	37,457	17,963
Comprehensive loss	(248,896)	(217,638)
Basic and diluted loss per common share	(0.00)	(0.00)
Weighted average number of common shares outstanding	79,239,504	59,559,051

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

VODIS PHARMACEUTICALS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (unaudited)
(Expressed in Canadian Dollars)

	Three months ended June 30, 2020	2019
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	(286,353)	(235,601)
Items not affecting cash:		
Depreciation and amortization	87,361	62,142
Accrual of management fees	90,000	90,000
Interest accrued	10,897	4,089
Foreign exchange	248	4,985
Changes in non-cash working capital items:		
Receivables	(9,721)	2,001
Prepaids	5,750	-
Accounts payable and accrued liabilities	(17,774)	67,124
Cash used in operating activities	(119,592)	(5,260)
CASH FLOWS FROM INVESTING ACTIVITIES		
Leasehold improvements and equipment	(88,973)	-
Cash used in investing activities	(88,973)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank overdraft	-	3,252
Share subscriptions	-	11,340
Advances from related parties	15,971	30,710
Payment of facility lease liability	(32,400)	(23,954)
Payment of finance lease liability	-	(39,134)
Cash used in financing activities	(16,429)	(32,378)
Change in cash during the period	(224,994)	(37,638)
Cash, beginning	321,468	439,369
Cash, ending	96,474	401,731

Supplemental disclosures with respect to cash flows (Note 14)

The accompanying notes are an integral part of these consolidated financial statements.

VODIS PHARMECEUTICALS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN DEFICIENCY (unaudited)
(Expressed in Canadian Dollars)
THREE MONTHS ENDED JUNE 30, 2020 AND 2019

	Share Capital			Reserves				
	Number of shares outstanding	Amount	Share subscriptions and obligations	Share-based payments and warrants	Foreign currency	Total reserves	Deficit	Total deficiency
		$	$	$	$	$	$	$
Balance at March 31, 2019	**59,559,051**	**12,681,918**	**71,854**	**3,561,751**	**(91,082)**	**3,470,669**	**(17,212,132)**	**(987,691)**
Share subscriptions	-	-	11,340	-	-	-	-	11,340
Net loss for the period	-	-	-	-	-	-	(235,601)	(235,601)
Exchange difference on translation	-	-	-	-	17,963	17,963	-	17,963
Balance at June 30, 2019	**59,559,051**	**12,681,918**	**83,194**	**3,561,751**	**(73,119)**	**3,488,632**	**(17,447,733)**	**(1,193,989)**
Balance at March 31, 2020	**79,239,504**	**13,392,485**	**71,854**	**3,011,244**	**(146,155)**	**2,865,089**	**(17,742,529)**	**(1,413,101)**
Net loss for the period	-	-	-	-	-	-	(286,353)	(286,353)
Exchange difference on translation	-	-	-	-	37,457	37,457	-	37,457
Balance at March 31, 2020	**79,239,504**	**13,392,485**	**71,854**	**3,011,244**	**(108,698)**	**2,902,546**	**(18,028,882)**	**(1,661,997)**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Vodis Pharmaceuticals Inc. (the "Company") was incorporated under the laws of British Columbia on October 31, 2011. The Company is in the medical and recreational marijuana business. The Company's shares trade on the Canadian Securities Exchange ("CSE").

The Company's corporate office address is 8788 River Road Delta, BC V4G 1B5. The registered and records office address is 1080 - 789 West Pender Street, Vancouver, BC V6C 1H2. The Company, together with its subsidiaries (collectively referred to as the "Company"), received its Standard Cultivation licence and Standard Processing licence under the Cannabis Act on January 31, 2020, and is in the licenced stage of producing medical marijuana.

At the date of the condensed consolidated interim financial statements, the Company has not yet realized profitable operations and has relied on non-operational sources of financing to fund operations. The ability of the Company to achieve its objectives and meet its ongoing obligations will depend on management's ability to successfully execute its business plan and obtain additional financing when required. There is no assurance that these initiatives will be successful. These condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is partially dependent upon its ability to generate financing. These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern. There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these financial statements. The condensed consolidated interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance and basis of presentation

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements as at and for the year ended March 31, 2020. The condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's March 31, 2020 audited consolidated financial statements.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. The financial statements of the subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases.

Significant Accounting Estimates and Judgments

The preparation of the condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Inputs used in the accounting for share-based payments expense in the condensed consolidated interim statements of comprehensive loss: Management uses the Black-Scholes Pricing Model for valuation of share-based payments, which requires the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

Inputs used in the accounting for warrants in share capital and equity reserves: Management uses the Black-Scholes Pricing Model for valuation of warrants, which requires the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves.

Critical accounting judgments

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Going concern: The condensed consolidated financial statements have been prepared 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 assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used (Note 1).

Determination of provisions for income taxes and the recognition of deferred income taxes: In assessing the probability of realizing deferred tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Determination of impairment of non-financial assets: Non-financial assets include property, plant and equipment. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model using assumptions about future expected cash flows discounted at the company's cost of capital.

Determination of the lease period in the calculation of a lease obligation: When determining the length of the period of time over which lease payments are expected to be paid in the calculation of a lease obligation, the Company must determine whether to use the contractual lease term or the contractual lease term plus the optional renewal period of the lease. In determining the period, the Company considers the likelihood that the lease will be renewed based on expected lease rates in the future as well as the estimated costs of improvements that would be required to be made to a new property in the event the lease is not renewed.

(Expressed in Canadian Dollars)

3. RECENT ACCOUNTING STANDARDS

As the date of authorization of these condensed consolidated interim financial statements, certain new standards and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments are either not adopted or are not expected to have a material impact on the Company's condensed consolidated interim financial statements.

4. RECEIVABLES

		June 30, 2020		March 31, 2020
Goods and services tax receivable	$	34,842	$	25,121
Other receivables		4,759		4,759
Total receivables	$	39,601	$	29,880

5. CAPITAL ASSETS

Leasehold improvements include all amounts incurred on improvements at the Company's Delta, British Columbia location to prepare the facilities for operations. The leasehold additions relate to production lighting, growing benches, irrigation and nutrient systems, security installations and construction of growing rooms.

		Leasehold Improvements		Furniture and Equipment		Right of Use Asset		Total
Cost								
Balance March 31, 2020	$	2,650,064	$	189,163	$	645,854	$	3,485,081
Additions		41,405		43,525		-		84,930
Balance June 30, 2020	$	2,691,469	$	232,688	$	645,854	$	3,570,011
Amortization								
Balance March 31, 2020	$	2,198,296	$	141,296	$	101,977	$	2,441,569
Additions		56,191		5,676		25,494		87,361
Balance June 30, 2020	$	2,254,487	$	146,972	$	127,471	$	2,528,930
Net book value								
Balance March 31, 2020	$	451,768	$	47,867	$	543,877	$	1,043,512
Balance June 30, 2020	$	436,982	$	85,716	$	518,383	$	1,041,081

The right of use asset is being amortized over the term of the lease (76 months) on a straight-line basis (Note 8).

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2020		March 31, 2020
Accounts payable	$	427,067	$	451,949
Interest owing on loans paid out in a prior year		13,500		13,500
Accrued liabilities		103,359		105,644
	$	543,926	$	571,093

Of the total payables and accrued liabilities, $146,951 is owed by the Company's subsidiary, Vodis USA.

(Expressed in Canadian Dollars)

7. FINANCE LEASE LIABILITY

During the year ended March 31, 2016, Vodis USA, a subsidiary of the Company, entered into a lease agreement. The lease agreement expired on April 3, 2020. The lease is considered a finance lease.

During the year ended March 31, 2016, Vodis USA entered into an option agreement with D&B Land Holdings LLC ("D&B"), whereby Vodis USA had an option to purchase the Property. The option agreement had a term of 5 years.

During the year ended March 31, 2016, Vodis USA, entered into a purchase and sale agreement with D&B, whereby the obligations under the purchase and sale agreement were conditional upon Vodis USA exercising the option agreement. The total purchase price was to be US$1,550,000 ("Purchase Price"). All payments made under the option agreement would be credited towards the Purchase Price.

During the year ended March 31, 2016, the Company entered into a promissory note agreement where Vodis USA must pay US$250,000 which would be credited towards the purchase price of the property. This promissory note bears no interest, is unsecured and is payable on demand. At March 31, 2020, the balance owing under this promissory note was $204,420 (US$150,000).

In order to keep the option agreement in good standing, Vodis USA was required to make monthly lease payments of US$9,404 pursuant to the lease agreement between Vodis USA and D&B. As the Company was delinquent in making the lease payments, the option to purchase lapsed as at March 31, 2019 and the Company lost its ability to purchase the property. As a result, the Company reversed the purchase option liability in the prior year. The remaining liability at March 31, 2020 consists of minimum monthly lease payments of $153,375 payable to the end of the lease term as well as $204,420 (US$150,000) due on the promissory note.

There are no lease transactions for the period ended June 30, 2020, and the decrease in liability of $14,676 from the balance at March 31, 2020, is related to the change in value of the US dollar relative to the Canadian dollar.

8. DELTA FACILITY LEASE LIABILITY

On August 1, 2018, the Company entered into a facility lease for a term of 2 years. On April 1, 2019, in accordance with the adoption of IFRS 16, the Company recorded a lease liability and a right of use asset. Monthly lease payments are $10,800. The fair value of the lease liability and the corresponding right of use asset was $645,854 at the inception of the lease determined through discounting the future cash flows at a discount rate of 8% for the remaining term of the current lease plus the renewal period of 5 years, as it is highly likely that the lease will be renewed. During the period ended June 30, 2020, accretion of $10,897 was recorded on the lease and is included in interest expense in the condensed consolidated interim statements of comprehensive loss.

Lease transactions for the period ended June 30, 2020 are as follows:

Balance, March 31, 2020	$	564,242
Payments		(32,400)
Interest		10,897
Balance, June 30, 2020	$	542,739

		June 30, 2020		March 31, 2020
Current portion	$	90,288	$	88,511
Long-term portion		452,451		475,731
	$	542,739	$	564,242

9. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

(Expressed in Canadian Dollars)

Transactions with related parties

Related party transactions for the three months ended June 30, 2020 and 2019 are as follows:

	June 30, 2020	June 30, 2019
A law firm in which a former director of the Company's subsidiary is a partner, for legal expenses	$ -	$ 29,521
A former director of the Company's subsidiary, for accounting fees	-	2,007
	$ -	$ 31,528

Key management compensation

Key management includes directors (executive and non-executive) and senior officers of the Company. The compensation paid or payable to key management for employee services is shown below:

Three months ended	June 30, 2020	June 30, 2019
A company controlled by the CFO of the Company, for consulting expenses	45,000	45,000
The CEO of one of the Company's subsidiaries, for consulting expenses	45,000	-
A former director of the Company, for consulting expenses	-	46,151
	$ 90,000	$ 91,151

Receivable from a related party

	June 30, 2020	March 31, 2020
Due from a company controlled by the former CEO of the Company	$ 10,000	$ 10,000

Accounts payable to related parties

	June 30, 2020	March 31, 2020
Due to an entity where a former director of the Company's subsidiary is a partner	$ 175,608	$ 182,811
Due to the former CEO of the Company	137,800	137,800
Due to the CFO or companies controlled by the CFO	343,089	305,637
Due to the CEO of one of the Company's subsidiaries	415,638	364,314
Due to a former director of the Company	254,293	263,595
Provision for dispute with former CEO	95,056	95,056
	$ 1,421,484	$ 1,349,213

Amounts due to and from related parties are unsecured, non-interest bearing and have no fixed terms of repayment. The former CEO does not agree with the amount recorded by the Company as owing to him and, as such, the Company has recorded a provision for contingency in the amount of $95,056. Of the total amount due to related parties, $402,401 is owed by the Company's subsidiary, Vodis USA.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL

(a) Common shares

The authorized share capital of the Company consists of an unlimited number of common shares without par value and unlimited number of preferred shares without par value.

No common shares were issued during the period ended June 30, 2020.

(b) Stock option plan

The Company has an incentive stock option plan under which it is authorized to grant options to executive officers, directors, employees and consultants. The exercise price of each option shall not be lower than the greater of the closing market prices of the underlying securities on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options. The options can be granted for a maximum of 10 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors, except for options granted to persons providing investor relations activities that will vest in stages over twelve months with no more than one quarter vesting in any three-month period. All options are to be settled by physical delivery of shares.

There were no stock option transactions during the period ended June 30, 2020.

The weighted average life of the options outstanding was 2.61 years at June 30, 2020.

As at June 30, 2020, the following stock options were outstanding:

Exercise Price	Number of Shares Issuable on Exercise	Expiry Date
$0.18	125,000	September 14, 2021
$0.42	100,000	April 4, 2022
$0.40	850,000	April 20, 2022
$0.40	150,000	May 30, 2022
$0.26	60,000	November 10, 2022
$0.38	35,000	March 6, 2023
$0.39	62,500	March 12, 2023
$0.27	75,000	April 24, 2023
$0.12	1,315,000	November 21, 2023
	2,772,500	

(c) Warrants

There were no warrant transactions during the period ended June 30, 2020.

(Expressed in Canadian Dollars)

Warrants outstanding at June 30, 2020 are as follows:

Exercise Price ($)	Number of Shares	Expiry Date
0.72	187,500	July 30, 2020
0.32	4,577,000	November 9, 2021
0.32	3,461,500	December 7, 2021
0.05	20,710,453	December 27, 2021
0.33	8,060,000	December 12, 2022
0.15	20,000,000	October 19, 2023
	56,996,453	

(d) Reserves

Share-Based Payments and Warrants Reserve

The share-based payments and warrants reserve records items recognized as share-based payments expense or as warrants until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the options or warrants expire unexercised or are cancelled, the amount recorded is transferred to deficit.

Foreign Exchange Reserve

The foreign exchange reserve recognizes the foreign exchange differences resulting from translation of entities to the presentation currency that have a different functional currency than the presentation currency.

(e) Obligation to Issue Shares

During the year ended March 31, 2018, the Company incurred an obligation to issue 217,738 common shares with a value of $71,854 pursuant to a consulting agreement.

11. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital structure to reduce the cost of capital.

The Company issues new equity financing as needed and available. Additional information relating to capital management is given in the nature and continuance of operations in Note 1.

The Company is not subject to externally imposed capital requirements.

There was no change to the Company's approach to the management of capital during the period ended June 30, 2020.

12. FINANCIAL INSTRUMENTS

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity, credit, currency, interest rate, and price risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend upon equity capital and possibly loans to finance its activities. The Company manages liquidity risk through its capital management as outlined in Note 11 above. Management has assessed liquidity risk as high.

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument or customer contract fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. The majority of the Company's receivables are related to goods and services tax receivable which is not subject to credit risk.

Management has assessed credit risk as low.

Currency Risk

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

The Company and its subsidiaries did not enter into significant transactions that were not denominated in their functional currencies and are therefore not exposed to currency risks.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. Management has assessed currency risk as low.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current cash is generally not exposed to interest rate risk because of its short-term maturity. The Company has no other interest- bearing financial instruments at June 30, 2020. Management has assessed interest rate risk as low.

Price Risk

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices. The Company is not exposed to price risk.

Fair Value

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of cash is based on level 1 of the fair value hierarchy.

13. SEGMENTED INFORMATION

The Company operates in one business segment, the marijuana industry, and all assets are located in Canada.

14. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the period ended June 30, 2020, the Company incurred $185,044 (2019 - $272,520) in capital asset additions which are included in accounts payable.

15. SUBSEQUENT EVENTS

On August 01, 2020, the Company renewed the Delta facility lease for a further one year on terms consistent with the existing lease.

In September 2020, the Company entered into a contract for its first sale of medical marijuana for proceeds of $57,500.

On July 31, 2020, 187,500 warrants with an exercise price of $0.72 per share expired unexercised.

Since January 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak are unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.