Financial Statements

Cannabis Growth Opportunity Corporation

For the Years Ended October 31, 2019 and 2018
(Stated in Canadian Dollars)

INDEX

Management's Responsibility for Financial Reporting	1
Independent Auditor's Report	2 - 3
Statements of Financial Position	4
Statements of Income (Loss) and Comprehensive Income (Loss)	5
Statements of Changes in Shareholders' Equity	6
Statements of Cash Flows	7
Notes to the Financial Statements	8 - 31

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and other financial information for this annual report were prepared by the management of Cannabis Growth Opportunity Corporation (the "Corporation"), reviewed by the Audit Committee of the Board of Directors, and approved by the Board of Directors.

Management is responsible for the preparation of the financial statements and believes that they fairly represent the Corporation's financial position and the results of operations in accordance with International Financial Reporting Standards. Management has included amounts in the Corporation's financial statements based on estimates, judgments, and policies that it believes reasonable in the circumstances.

To discharge its responsibilities for financial reporting and for the safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately in the Corporation's books and records.

"Sean Conacher"
CEO

"Paul Andersen"
CFO

Toronto, Ontario
February 28, 2020

Independent Auditor's Report

To the Shareholders of Cannabis Growth Opportunity Corporation:

Opinion

We have audited the financial statements of Cannabis Growth Opportunity Corporation (the "Corporation"), which comprise the statements of financial position as at October 31, 2019 and October 31, 2018, and the statements of income (loss) and comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at October 31, 2019 and October 31, 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 audits 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 Corporation in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises 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 audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation'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 Corporation’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 Corporation’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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 Jonathan Mac Neil.

MNP LLP

Toronto, Ontario
February 28, 2020

Chartered Professional Accountants
Licensed Public Accountants

MNP LLP

Cannabis Growth Opportunity Corporation

Statements of Financial Position
As at October 31
Stated in Canadian dollars

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 258,842	$ 111,762
Interest receivable	267,622	63,629
Investments (notes 3, 12 (j))	39,266,818	41,354,307
Investment receivable (note 5)	-	500,000
Other assets	-	169,257
Prepaid expenses	12,649	24,400
Total assets	$ 39,805,931	$ 42,223,355
Liabilities		
Current liabilities		
Bank indebtedness	$ -	$ 353,560
Accounts payable and accrued liabilities (notes 12 (a), (d), (h))	332,255	397,989
Income tax payable	44,517	3,286
Total liabilities	376,772	754,835
Shareholders' equity		
Share capital (note 6)	28,185,433	27,519,093
Warrants (note 7)	7,892,480	7,892,531
Contributed surplus (note 8)	2,575,976	2,575,976
Retained earnings	775,270	3,480,920
Total shareholders' equity	39,429,159	41,468,520
Total liabilities and shareholders' equity	$ 39,805,931	$ 42,223,355

Subsequent events (note 14)

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board

"Sean Conacher", Director   "Paul Andersen", Director

Cannabis Growth Opportunity Corporation

Statements of Income (Loss) and Comprehensive Income (Loss)
For the years ended October 31
Stated in Canadian dollars

		2019		2018
Income				
Interest income	$	442,011	$	205,462
Net realized gain on disposal of investments		4,280,299		2,687,911
Net change in unrealized appreciation (depreciation) on investments (note 3)		(5,984,062)		3,225,046
Gain (loss) on warrants exercised		(258,505)		100,800
Gain on conversion of convertible debentures		670,176		136,289
Total income (loss)		(850,081)		6,355,508
Expenses				
Operating, general, and administrative (notes 10, 12)		1,975,488		1,079,202
Stock-based compensation (note 8 (a))		-		1,792,100
Total expenses		1,975,488		2,871,302
Net Income (Loss) before tax		(2,825,569)		3,484,206
Income tax expense - current (note 11 (a))		(55,460)		(3,286)
Net Income (Loss) and Comprehensive Income (Loss)	$	(2,881,029)	$	3,480,920
Net income (loss) per common share - Basic and diluted (note 9)	$	(0.18)	$	0.29
Weighted average number of common shares outstanding - basic and diluted (note 9)		15,657,522		11,887,109

The accompanying notes form an integral part of these financial statements.

Cannabis Growth Opportunity Corporation

Statements of Changes in Shareholders' Equity
For the years ended October 31
Stated in Canadian dollars

	Share capital					
	Number of shares	Amount	Warrants	Contributed surplus	Retained earnings	Total shareholders' equity
Balance - November 1, 2017	1	$ 2.50	$ -	$ -	$ -	$ 2.50
Net income	-	-	-	-	3,480,920	3,480,920
Shares and warrants issued from initial public offering	15,513,250	30,084,504	8,698,621	-	-	38,783,125
Shares issued to acquire investments	138,889	250,000	-	-	-	250,000
Share and warrant issuance costs	-	(2,815,414)	(806,090)	783,876	-	(2,837,628)
Stock-based compensation	-	-	-	1,792,100	-	1,792,100
Balance - October 31, 2018	15,652,140	$ 27,519,093	$ 7,892,531	$ 2,575,976	$ 3,480,920	$ 41,468,520

	Share capital					
	Number of shares	Amount	Warrants	Contributed surplus	Retained earnings	Total shareholders' equity
Balance - November 1, 2018	15,652,140	$ 27,519,093	$ 7,892,531	$ 2,575,976	$ 3,480,920	$ 41,468,520
Net income	-	-	-	-	(2,881,029)	(2,881,029)
Shares issued on exercise of warrants (note 6, 7)	100	301	(51)	-	-	250
Shares purchased and cancelled (note 6)	(299,800)	(581,396)	-	-	175,379	(406,017)
Shares issued to acquire investments (note 6)	726,744	1,250,000	-	-	-	1,250,000
Share issuance costs (note 6)	-	(2,565)	-	-	-	(2,565)
Balance - October 31, 2019	16,079,184	$ 28,185,433	$ 7,892,480	$ 2,575,976	$ 775,270	$ 39,429,159

The accompanying notes form an integral part of these financial statements.

Cannabis Growth Opportunity Corporation

Statements of Cash Flows
For the years ended October 31
Stated in Canadian dollars

	2019	2018
Cash flows from operating activities		
Net income (loss)	$ (2,881,029)	$ 3,480,920
Items not involving cash:		
Net change in unrealized depreciation (appreciation) on investments	5,984,062	(3,225,046)
Net realized gain on disposal of investments	(4,280,299)	(2,687,911)
Stock-based compensation	-	1,792,100
Gain on conversion of convertible debenture	(670,176)	(100,800)
Gain (loss) on warrants exercised	258,505	(136,289)
	(1,588,937)	(877,026)
Adjustments for:		
Investment receivable	-	(500,000)
Interest receivable	(203,993)	(63,629)
Purchase of investments	(33,349,840)	(49,973,368)
Proceeds from disposal of investments	35,895,237	15,019,107
Prepaid expenses	11,751	(24,400)
Other assets	169,257	(169,257)
Income tax payable	41,231	3,286
Accounts payable and accrued liabilities	(65,734)	397,989
Net cash from (used in) operating activities	908,972	(36,187,298)
Cash flows from financing activities		
Bank indebtedness	(353,560)	353,560
Shares issued on exercise of warrants	250	30,084,504
Share issuance costs	(2,565)	(2,207,353)
Proceeds from issuance of warrants	-	8,698,621
Warrant issuance costs	-	(630,275)
Shares purchased and cancelled (note 6)	(406,017)	-
Net cash provided (used) by financing activities	(761,892)	36,299,057
Net increase in cash and cash equivalents	147,080	111,759
Cash and cash equivalents - beginning of year	111,762	2.50
Cash and cash equivalents - end of year	$ 258,842	$ 111,762
Significant non-cash transactions		
Shares issued to acquire investments (note 6)	$ 1,250,000	$ 250,000
Share and warrant issuance costs - agent compensation options (note 8 (b))	$ -	$ (783,876)

The accompanying notes form an integral part of these financial statements.

1. Nature of operations and formation of the Corporation

Cannabis Growth Opportunity Corporation (the "Corporation") is an investment corporation incorporated under the laws of Canada on October 29, 2017. On January 26, 2018, the Corporation completed its initial public offering (the "Offering"). Pursuant to the Offering, the Corporation issued 15,513,250 Units at a price of $2.50 per Unit for gross proceeds of $38,783,125. Each Unit consisted of one common share and one warrant in the capital of the Corporation. The common shares and warrants are listed on the Canadian Securities Exchange under the symbols "CGOC" and "CGOC.WT" respectively.

The Corporation's investment objectives are to provide shareholders long-term total return through capital appreciation by investing in an actively managed portfolio of securities of public and private companies operating in or that derive a significant portion of their revenue or earnings from products or services related to the cannabis industry.

CGOC Management Corp. (the "Manager") will act as the manager and promoter of the Corporation and will provide specific management services to the Corporation pursuant to a management agreement. The Corporation will make investment decisions with respect to the private portfolio. The Corporation and the Manager have engaged StoneCastle Investment Management Inc. (the "Investment Manager") to act as the Corporation's investment manager with respect to the public portfolio.

The Corporation's head office is located at 240 Richmond St. W, Suite 4164, Toronto, Ontario, M5V 1V6.

2. Basis of presentation and summary of significant accounting policies

a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") effective as of October 31, 2019.

These financial statements were approved by the Board of Directors on February 28, 2020.

b) Basis of measurement

The Corporation's financial statements have been prepared on the historical cost convention except for certain financial instruments, which have been measured at fair value.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Corporation will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

2. Basis of presentation and summary of significant accounting policies (continued)

c) Investments in associates, joint ventures and subsidiaries

In accordance with IFRS 10, the Corporation uses the following criteria to evaluate and determine if it meets the definition of an "investment entity":

i) Obtains funds from one or more investors for the purpose of providing those investors with investment management services.

ii) Commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.

iii) Measures and evaluates the performance of substantially all of its investments on a fair value basis

The Corporation has determined that it meets the definition of an investment entity and as a result, it measures investments in associates, joint ventures and subsidiaries at fair value through profit and loss. As at October 31, 2019, the Corporation's investment in a joint venture disclosed in note 4 has been measured at fair value through profit and loss.

d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

e) Reclassification

Certain amounts in the prior period have been reclassified to conform with the presentation of the current period financial statements. These reclassifications had no effect on the reported results of operations.

f) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from estimates calculated. Significant judgments made when applying accounting policies are as follows:

2. Basis of presentation and summary of significant accounting policies (continued)

f) Use of estimates and judgments (continued)

i) Fair value of investments

Where the fair values of investments cannot be derived from active markets, management is required to make certain estimates and assumptions that are applied in valuation techniques to determine fair value. These include the most recently available financial statements of the investee, price for most recently completed financing, as well as closely comparable public companies and general market and economic conditions. The value which the Corporation could ultimately realize upon disposition of these investments may differ from their carrying value and such differences could be material.

Investments in options and warrants, which are not traded on a recognized securities exchange, do not have readily available market value. When there are sufficient and reliable observable market inputs, valuation models such as Monte Carlo simulation and Black-Scholes valuation model are used to determine fair value. The market inputs used in these models include risk-free interest rate, market price as of the reporting date, expected dividend yield, expected life of the instrument and expected volatility of the underlying security based on historical volatility.

Investments in convertible debenture, which are not traded on a recognized securities exchange, and convertible promissory notes are valued using a combination of discounted cash flow model and option pricing model for the conversion feature.

ii) Stock-based compensation expense

The Corporation uses the Black-Scholes Model to determine the fair value of stock options issued in order to calculate compensation expense. The Black-Scholes Model requires six key inputs to determine a value for a stock option: risk-free interest rate, exercise price, market price at date of issuance, expected yield, expected life, and expected volatility. Certain of the inputs are estimates, which involve considerable judgment and are or could be affected by significant factors that are out of the Corporation's control.

iii) Warrants

The Corporation uses the Black-Scholes Model to calculate the value of warrants issued as part of the Corporation's public and/or private placements. The Black-Scholes Model requires six key inputs to determine a value for a warrant: risk-free interest rate, exercise price, market price at date of issuance, expected yield, expected life, and expected volatility. Certain of the inputs are estimates, which involve considerable judgment and are or could be affected by significant factors that are out of the Corporation's control. Proceeds from unit placements, net of issuance costs, are allocated between common shares and warrants issued according to their relative fair value.

2. Basis of presentation and summary of significant accounting policies (continued)

f) Use of estimates and judgments (continued)

iv) Investment entity

Management has applied judgment in determining whether the Corporation meets the criteria required under IFRS 10, in order to be classified as an investment entity. See note 2 (c).

v) Income taxes

Income taxes recognized in the financial statements reflect management's best estimate of the outcome based on the facts known at the reporting date. When the Corporation anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Corporation becomes aware of this difference.

When the Corporation incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its forecasts, which are adjusted to take into account certain non-taxable income and expenses and specific rules on the use of tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

vi) Expected credit losses ("ECL")

Determining an allowance for ECLs for interest receivable held at amortized cost requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

g) Foreign currency transactions

Transactions in foreign currencies are initially recorded in the Corporation's functional currency at the rate in effect on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the Corporation's functional currency spot rate of exchange in effect at the reporting date. Non-monetary assets and liabilities are measured at historical cost in a foreign currency and are translated using the exchange rates as at the date of the initial transaction. All exchange differences are recognized in the statement of income (loss) and comprehensive income (loss).

2. Basis of presentation and summary of significant accounting policies (continued)

h) Financial instruments

IFRS 9 is required for reporting periods beginning on or after January 1, 2018, with retrospective application. The Corporation has elected for the early adoption of the requirements under IFRS 9 for the reporting period starting November 1, 2017. The adoption of IFRS 9 did not have a significant impact on the carrying amounts of financial instruments as at November 1, 2017.

On initial recognition, a financial asset is classified as fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI"), or amortized cost. Purchases and sales of financial assets are recorded on a settlement date basis.

Subsequent to initial recognition, all investments are measured at fair value. All gains and losses arising from changes in fair value of the investments are presented in comprehensive income within changes in unrealized depreciation/appreciation of investments in the period in which the gains and losses arise. The Corporation would only reclassify a financial asset when the Corporation changes its business model for managing the financial asset. All reclassifications are recorded at fair value at the date of reclassification, which becomes the new carrying value.

i) Cash and cash equivalents

Cash and cash equivalents comprise deposits in banks and highly liquid investments with original maturities of three months or less, which are readily convertible into known amounts of cash and are not subject to a significant risk of changes in value. As at October 31, 2019 and 2018, the Corporation did not hold any cash equivalents.

ii) Bank indebtedness

Bank indebtedness is comprised of overdraft positions entered into with the Corporation's prime broker to facilitate the securities settlement process.

iii) Financial assets classified at fair value through profit and loss

Financial assets, including all the Corporation's investments, are classified as FVTPL if the asset is an equity investment, if the Corporation has not elected to classify the equity investment as FVOCI, or if the Corporation's business model for holding the investment is achieved other than by both collecting contractual cash flows and by selling the assets.

FVTPL assets are initially recorded at fair value with realized gains and losses on disposition and subsequent changes in fair value recorded in net income. Directly attributable transaction costs are reported in net income as incurred.

2. Basis of presentation and summary of significant accounting policies (continued)

h) Financial instruments (continued)

iv) Non-derivative financial liabilities

Non-derivative financial liabilities are recognized initially on the date the Corporation becomes a party to the contractual obligations of the financial instrument. All non-derivative financial liabilities are recognized initially at fair value along with directly attributable transaction costs. Subsequent to initial measurement, non-derivative financial liabilities are measured at amortized cost using the effective interest method.

v) Derivative financial instruments - warrants and options

A financial derivative such as warrants or options that will be settled with the Corporation's own equity instruments will be classified as an equity instrument if the derivative is to acquire a fixed number of the Corporation's own equity instruments for a fixed amount of Canadian dollars.

A financial derivative will be considered a financial liability at fair value through profit or loss if it's to acquire either a variable number of equity instruments and the options or warrants were not offered pro-rata to all existing owners of the case class of non-derivative equity instruments.

The following table presents the Corporation's classification of financial assets and financial liabilities as at October 31, 2019.

Financial assets/ financial liability	Classification
Cash and cash equivalents	FVTPL
Investment receivable	FVTPL
Interest receivable	Amortized cost
Investments	FVTPL
Bank indebtedness	FVTPL
Accounts payable and accrued liabilities	Amortized cost

(1) The carrying value of accounts payable and accrued liabilities approximates fair value due to the short-term nature of the instruments.

2. Basis of presentation and summary of significant accounting policies (continued)

The Corporation 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 credit risk on the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to 12 months of expected credit losses. For interest receivable, the Corporation applies the simplified approach to providing for expected credit losses, which allows for 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 is related to an event occurring after the impairment was recognized.

i) Revenue recognition

IFRS 15 is required for reporting periods beginning on or after January 1, 2018. This new standard supersedes existing standards and interpretations, including IAS 18, Revenue. The standard introduces a 5-step approach to measuring and recognizing revenue. The Corporation has elected for the early adoption of the requirements in the standard for reporting period starting November 1, 2017.

More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. The application of IFRS 15 has not had a significant impact on the financial position and financial performance of the Corporation.

Interest income and other income are recognized on an accrual basis.

j) Current tax

Current taxes are recognized for estimated income taxes payable or recoverable for the current period and any adjustments to taxes payable in respect to prior periods. Current taxes payable or recoverable are offset when they relate to income taxes imposed by the same taxation authority when the taxation authority permits receiving or making a single net payment.

k) Deferred tax

Deferred tax is recognized for temporary differences at the reporting date between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred taxes are measured using currently enacted or substantively enacted income tax rates expected to apply to taxable income in the periods in which the temporary differences reverse. Measurement of deferred tax reflects the tax consequences that would follow the manner in which the Corporation expects at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.

2. Basis of presentation and summary of significant accounting policies (continued)

k) Deferred tax (continued)

Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it's probable the Corporation will have sufficient taxable income with which to offset such items. The Corporation reviews deferred tax assets each reporting period and would be reduced to the extent that it's no longer probable that the benefit arising from the unused tax loss, tax credit, or deductible temporary difference will be realized.

l) Stock-based compensation

The Corporation has a stock option plan whereby management, including officers and directors of the Corporation receive remuneration in the form of stock options granted within the plan for services rendered. The cost of options is recognized as an increase to contributed surplus over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant optionee becomes fully entitled to the award (the "vesting date").

Stock-based awards are recognized as an expense to the extent that management expects such awards to vest based on service and performance conditions attached to the stock-based awards.

m) Share and warrant capital

Common shares and warrants are classified as equity in the financial statements. Incremental costs directly attributable to the issuance of common shares and warrants are recognized as a deduction from equity.

n) Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is applied to all fair value measurements including non-financial assets and liabilities, which are measured at or based on fair value. The Corporation's fair value hierarchy is disclosed in note 3.

o) Income per common share

The Corporation presents basic and diluted income per share for its common shares. Basic income per common share is determined by dividing the Corporation's net income for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted income per common share is determined by adjusting the weighted average number of shares outstanding for the impact of all dilutive potential shares, which are comprised of stock-based compensation awards granted.

2. Basis of presentation and summary of significant accounting policies (continued)

p) Application of new accounting standards and amendments issued

Amendments to IFRS 2 Share-Based Payment ("IFRS 2")

In June 2016, the IASB published final amendments to IFRS 2 that clarify the classification and measurement of share-based payments transactions. The amendments pronounce requirements related to accounting for:

i) the effects of vesting and non-vesting conditions on the measurement of cash-settled share based payments;

ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and

iii) the effect of a modification of the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of the amendments to IFRS 2 as of November 1, 2018 did not have an impact on the Corporation's financial statements.

q) Accounting standards and amendments issued but not yet applied

IFRS 16 Leases ("IFRS 16")

IFRS 16 replaces IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset’s use and obtain substantially all the economic benefits from that use.

The Corporation expects that the adoption of IFRS 16 will not have a significant impact on the financial statements. The Corporation's only lease is a month to month lease for its office which is exempt from the requirements of this standard.

Stated in Canadian Dollars

3. Fair value measurement

Fair value measurements are based on a three-level fair value hierarchy based on inputs used in determining the fair value of financial assets and liabilities. The hierarchy of inputs is summarized as follows:

- Level 1 - inputs used to value financial assets and liabilities are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs used to value financial assets and liabilities are other than quoted prices included in Level 1 that are observable either directly or indirectly for the asset or liability.
- Level 3 - inputs used to value financial assets and liabilities are not based on observable market data.

Transaction costs are expensed as incurred for financial instruments classified as fair value through profit and loss. For other financial instruments, transaction costs are capitalized on initial recognition.

The following table includes the disaggregation of unrealized appreciation (depreciation) on investments recorded on the statement of comprehensive income for the year ended October 31:

Net change in unrealized appreciation (depreciation) on investments	**2019**	**2018**
Reversal of previously recorded unrealized (appreciation) depreciation on investments	$ (3,225,046)	$ -
Unrealized appreciation (depreciation) on investments held at year end	(2,693,636)	3,142,129
Unrealized foreign exchange gain (loss) on investments	(65,380)	82,917
	$ (5,984,062)	$ 3,225,046

Investments consisted of the following as at October 31, 2019:

Financial assets measured at fair value	**Cost**	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Equities	$ 28,798,200	$ 10,575,568	$ -	$ 17,665,306	$ 28,240,874
Warrants	4,946,385	248,640	1,003,921	1,671,329	2,923,890
Convertible debentures	8,281,250	656,000	2,498,782	4,947,272	8,102,054
	$ 42,025,835	$ 11,480,208	$ 3,502,703	$ 24,283,907	$ 39,266,818

Stated in Canadian Dollars

3. Fair value measurement (continued)

Investments consisted of the following as at October 31, 2018:

Financial assets measured at fair value	Cost	Level 1	Level 2	Level 3	Total Fair Value
Equities	$ 29,078,276	$ 14,012,993	$ -	$ 18,211,838	$ 32,224,831
Warrants	4,412,144	713,369	1,377,912	1,963,008	4,054,289
Convertible debentures	4,253,408	2,495,312	1,400,000	772,271	4,667,583
Subscription receipts	385,434	-	-	407,604	407,604
	$ 38,129,262	$ 17,221,674	$ 2,777,912	$ 21,354,721	$ 41,354,307

Subscription receipts

Subscription receipts represent investments in private companies that are in the process of completing a public transaction. Once the public transaction is complete, each subscription receipts entitles the Corporation to receive, without payment of additional consideration, one unit of the newly formed entity. If the public transaction does not complete, the subscription receipts become void, and the total subscription price is returned to the Corporation. Due to the short-term nature of the holding period of subscription receipts, the carrying value is approximated to be the fair market value. As at October 31, 2019, the Corporation holds $Nil (October 31, 2018 - $407,604) in subscription receipts.

Changes in Level 3 investments

During the year ended October 31, 2019, $973,963 of net change in unrealized depreciation on investments includes Level 3 investments held as at October 31, 2019.

Transfers out of Level 3 investments are due to changes in the observability of market data, such as a recent transaction, conversion of subscription receipts into underlying securities or due to a company going public.

The following table presents the changes in assets classified in Level 3 of the fair value hierarchy for the year ended October 31, 2019.

	Private equities	Convertible debentures	Warrants	Subscription receipts	Total fair value
Balance - November 1, 2018	$ 18,211,838	$ 772,271	$1,963,008	$ 407,604	$ 21,354,721
Purchases	8,160,650	4,853,663	250,000	2,322,164	15,586,477
Realized losses	(36,369)	-	-	-	(36,369)
Unrealized gains (losses)	760,627	(78,662)	291,998	-	973,963
Transfers out of Level 3	(9,431,440)	(600,000)	(833,677)	(2,729,768)	(13,594,885)
Balance - October 31, 2019	$ 17,665,306	$4,947,272	$1,671,329	$ -	$ 24,283,907

Stated in Canadian Dollars

3. Fair value measurement (continued)

The following table presents the changes in assets classified in Level 3 of the fair value hierarchy for the year ended October 31, 2018.

	Private equities	Convertible debentures	Warrants	Subscription receipts	Total fair value
Balance - November 1, 2017	$ -	$ -	$ -	$ -	$ -
Purchases	15,508,993	1,267,770	1,206,278	3,087,927	21,070,968
Unrealized gains (losses)	3,832,845	(146,759)	877,990	22,169	4,586,245
Transfers out of Level 3	(1,130,000)	(348,740)	(121,260)	(2,702,492)	(4,302,492)
Balance - October 31, 2018	$18,211,838	$ 772,271	$1,963,008	$ 407,604	$21,354,721

Significant unobservable inputs

The key assumptions the Corporation used in the valuation of level 3 investments include and are not limited to the value of recently completed financings by the investee, entity-specific information, and publicly available information of comparable entities.

The following table summarizes valuation techniques and significant unobservable inputs used for the Corporation's investments classified in Level 3 of the fair value hierarchy:

	Valuation technique	Fair value at October 31, 2019	Fair value at October 31, 2018	Key inputs
Equities	Recent financing based upon per share valuation in most recent financing round	$ 11,789,506	$ -	N/A
	Revenue multiple	5,670,000	-	Revenue multiple
	Recent financing based on per share valuation in most recent financing round and trends in comparable companies	-	18,211,838	N/A
Convertible debentures	Option pricing model and discounted cash flow	4,026,072	772,271	Volatility
	Transaction price	921,200	-	N/A
Warrants	Option pricing model	1,671,329	1,963,008	Volatility
Options	Transaction price	205,800	-	N/A
Subscription receipts	Transaction price	-	407,604	N/A
		$ 24,283,907	$ 21,354,721	

3. Fair value measurement (continued)

Recent financing was based on per share valuation in the most recent financing round from March to October 2019 to arm's length parties, and for October 31, 2018 fair values, recent financing was based on per share valuation in most recent financing round from February 2018 to October 2018.

Convertible debentures, options and warrants valued through option pricing models used weighted average volatility ranging from 80% - 100%. A +/- 15% absolute change will result in a change in value of the investments of approximately $4,700,000 ($4,000,000)

A revenue multiple of 6.2 was used to value this equity investment. A change of +2 or -2 would result in a change in the value of the investment of approximately $1,800,000 ($1,800,000).

For these Level 3 investments, the inputs used can be highly judgmental. As at October 31, 2019, 25% increase or decrease in the calculated fair value will result in a corresponding $6,070,977 (2018 - $5,338,680) change to the total fair value of Level 3 investments.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions. The overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. The results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of these investments. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Corporation's view of expected future changes in the fair value of these investments.

4. Investment in joint venture

During the year ended October 31, 2019, the Corporation entered into a joint venture agreement (the "agreement") with an investee company. Pursuant to the agreement, a new entity 2702099 Ontario Inc. ("Newco"), was incorporated to conduct research and develop a technology comprising an endogenous anti-addiction mechanism, based on a cannabinoid-like molecule for certain indications. The Corporation subscribed for 6,000,000 common shares of Newco in a series of tranches which upon completion of the final tranche (if no further securities are issued) represented 60% of the issued and outstanding common shares of Newco for a total aggregate investment of $1,440,890 (US $1,100,000). Under the agreement, the Board of Directors of Newco shall consist of two (2) directors of the Corporation and two (2) directors of the investee company.

The Corporation seeks to earn capital appreciation on this investment through either a third-party sale of its interest or a public listing. The Corporation recorded this investment at fair value through profit and loss and classified it as a Level 3 input on the fair value hierarchy in note 3.

Stated in Canadian Dollars

5. Investment receivable

Investment receivable of $500,000 as at October 31, 2018 represents funds advanced by the Corporation pursuant to a subscription agreement, which had not settled as at October 31, 2018. Due to the short-term nature of the holding period of the investment receivable, the carrying value is approximated to be the fair market value.

During the year ended October 31, 2019, the subscription had been settled and the Corporation received the investments. As at October 31, 2019, the Corporation had $Nil in investment receivable.

6. Share capital

a) Authorized:

Unlimited common shares

b) Common shares issued and outstanding are as follows:

	Number	Amount
Issued and outstanding - November 1, 2017	1	$ 2.50
Initial public offering	15,513,250	30,084,504
Shares issued to acquire investments	138,889	250,000
Issuance costs	-	(2,815,414)
Issued and outstanding - October 31, 2018	15,652,140	$ 27,519,093
Shares issued on exercise of warrants	100	$ 301
Shares purchased and cancelled	(299,800)	(581,396)
Shares issued to acquire investments	726,744	1,250,000
Issuance costs	-	(2,565)
Issued and outstanding - October 31, 2019	16,079,184	$ 28,185,433

Initial public offering

On January 26, 2018, the Corporation completed its initial public offering and issued 15,513,250 units at a price of $2.50 per unit for gross proceeds of $38,783,125. Each Unit consisted of one common share and one warrant in the capital of the Corporation. Each warrant entitles the holder thereof to purchase one common share at a price of $2.50 until January 26, 2020. The Corporation allocated $30,084,504 of the gross proceeds to common shares and $8,698,621 of the proceeds to warrants.

Shares issued to acquire investments

On April 26, 2018, the Corporation acquired 400,000 shares of a private entity investment at a purchase price of $1,000,000 or $2.50 per share. Consideration for the acquisition consisted of $750,000 paid in cash and issuance of 138,889 common shares of the Corporation issued at $1.80 per share.

Stated in Canadian Dollars

6. Share capital (continued)

Shares issued to acquire investments (continued)

On June 26, 2019, the Corporation acquired an additional 11,000,000 common shares of a public company at a price of $0.25 per common share for an aggregate investment of $2,750,000. Consideration for the investment consisted of $1,500,000 paid in cash and issuance of 726,744 common shares of the Corporation at a price of $1.72 per share for an aggregate subscription of $1,250,000. The Corporation incurred $2,565 in issuance costs as a result of this transaction.

Normal Course Issuer Bid ("NCIB")

On November 15, 2018, the Corporation announced its intention to commence a NCIB, to purchase up to an aggregate of 782,607 common shares, representing 5% of the issued and outstanding common shares. During the year ended October 31, 2019, the Corporation purchased 299,800 common shares at an average cost of $1.35 per share for total cash consideration of $406,017.

Activities under the Corporation's NCIB during the year ended October 31, 2019 are as follows:

		October 31, 2019
Number of shares purchased and cancelled under NCIB		299,800
Cash consideration paid	$	406,017
Discount on acquisition		175,379
Reduction in share capital	$	581,396

7. Warrants

A summary of the status of the Corporation's warrants as at October 31, 2019 and changes during the year ending is as follows:

	Number		Amount		Weighted average exercise price
Balance - November 1, 2017	-	$	-	$	-
Initial public offering	15,513,250		8,698,621		2.50
Issuance costs	-		(806,090)		-
Balance - October 31, 2018	15,513,250	$	7,892,531	$	2.50
Warrants exercised	(100)	$	(51)	$	2.50
Balance - October 31, 2019	15,513,150	$	7,892,480	$	2.50

Each warrant entitles the holder thereof to purchase one common share at a price of $2.50 until January 26, 2020. Subsequent to the year ended October 31, 2019, the warrants expired unexercised.

Stated in Canadian Dollars

8. Stock based compensation and agent compensation options

The fair value of the Warrants was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.43%
Expected life	2 years
Expected volatility	66%*
Share price	$1.94

*Based on volatility of comparable companies

a) Stock-based compensation

The Board of Directors has adopted a stock-based compensation plan for the Corporation (the "Plan"). Pursuant to the Plan, the Board of Directors may, from time to time at its discretion, allocate non-transferable options to purchase common shares to directors, officers, and consultants of the Corporation.

Under the Plan, the aggregate number of common shares to be issued upon the exercise of options granted thereunder may not exceed 10% of the number of issued and outstanding common shares at the time of granting the options. Options shall expire no later than five years after the date of grant.

The exercise price of options granted pursuant to the Plan shall be established based on the average closing price of the common shares for the five days prior to the date of grant or such other method of pricing as may be acceptable to the stock exchange on which the common shares are listed. The options shall vest and may be exercised as determined by a resolution of the Board of Directors.

A summary of changes to stock options is as follows:

	Number	Amount	Weighted Average Exercise Price
Balance - November 1, 2017	-	$ -	$ -
Granted and outstanding	1,500,000	1,792,100	2.35
Balance - October 31, 2018 and October 31, 2019	1,500,000	$ 1,792,100	$ 2.35

All outstanding options have fully vested and are exercisable on or before January 30, 2023.

Stated in Canadian Dollars

8. Stock based compensation and agent compensation options (continued)

a) Stock-based compensation (continued)

The fair value of the options was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.64%
Expected life	5 years
Expected volatility	66%*
Share price	$2.20

*Based on volatility of comparable companies

b) Agent compensation options

Pursuant to the Agency Agreement, on January 26, 2018, the Corporation granted Agent compensation options (the "Agent's Options") equal to 5.5% of the number of units sold under the initial public offering.

Each Agent's Option will entitle the Agent to purchase one Unit, at an exercise price equal to $2.50 per Unit for a period of 24 months from the closing date. In the event that the Agent's Option is not exercised prior to the expiry time, the Agent will only be entitled to receive the Common Shares underlying the Units upon any subsequent exercise of the Agent's Option. The Warrants underlying the Units issuable upon exercise of the Agent's Option will be void and of no value at the Expiry Time.

A summary of changes to agent options is as follows:

	Number		Amount		Weighted average exercise price
Balance - November 1, 2017	-	$	-	$	-
Granted and outstanding	851,025		783,876		2.50
Balance - October 31, 2018 and October 31, 2019	851,025	$	783,876	$	2.50

All outstanding agent options have fully vested and are exercisable on or before January 26, 2020. Subsequent to the year ended October 31, 2019, the agent options expired unexercised.

The total cost of agent options granted is allocated as share and warrant issuance costs of $783,876, which comprises $608,061 of share issuance costs and $175,815 of warrant issuance costs.

Stated in Canadian Dollars

8. Stock based compensation and agent compensation options (continued)

b) Agent compensation options (continued)

The fair value of the agent options was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions:

Expected dividend yield	Nil
Risk-free interest rate	1.43%
Expected life	2 years
Expected volatility	66%*
Unit price	$2.50

*Based on volatility of comparable companies

9. Net income (loss) per share

During the year ended October 31, 2019, basic and diluted net income per share has been calculated using the weighted average number of shares outstanding of 15,657,522 (2018 - 11,887,109). There were no dilutive items outstanding for the year as the Corporation's average common share stock price during the year was below the exercise price of the outstanding warrants (note 7), stock options (note 8 (a)) and agent compensation options (note 8 (b)).

Net income (loss) per share is presented as follows:

	Year ended October 31, 2019	Year ended October 31, 2018
Basic and diluted net income (loss) per share		
Net income (loss)	$ (2,881,029)	$ 3,480,920
Weighted average basic and diluted number of common shares outstanding	15,657,522	11,887,109
Basic and diluted net income (loss) per share	$ (0.18)	$ 0.29

Stated in Canadian Dollars

10. Expenses by nature

Operating, general and administrative expenses includes the following:

	Year Ended October 31, 2019	Year Ended October 31, 2018
Directors' fees (note 12 (h))	$ 100,000	$ 75,000
Foreign exchange loss	23,852	38
Investment transaction costs	142,779	79,217
Listing and filing fees	88,700	45,312
Management fees (note 12 (a))	287,623	242,524
Marketing	405,234	292,469
Office and general	111,312	75,164
Payroll expenses	2,333	-
Professional fees (note 12 (d), (i))	813,655	269,478
	$ 1,975,488	$ 1,079,202

11. Income taxes

a) Current income taxes vary from amount that would be computed by applying the basic federal and provincial tax rates to income before income taxes:

	Year ended October 31, 2019	Year ended October 31, 2018
Net income before tax	$ (2,825,569)	$ 3,484,206
Statutory rate (combined federal and provincial rate)	26.5%	26.5%
Expected income tax at statutory rate	(748,780)	923,315
Permanent differences		
Share based compensation and non-deductible expenses	191,020	(335,538)
Other	3,140	-
Share and warrant issuance costs booked through equity	(680)	(959,699)
Change in tax benefits not recognized	610,760	375,208
Current income tax expense	$ 55,460	$ 3,286

Stated in Canadian Dollars

11. Income taxes (continued)

b) Deferred taxes are provided as a result of temporary differences that arise due to income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following:

	Year ended October 31, 2019	Year ended October 31, 2018
Recognized in Net Income (Loss):		
Investments	$ 2,757,010	$ -
Accounts payable	-	26,096
Share and warrant issuance costs	2,342,120	1,389,782
	$ 5,099,130	$ 1,415,878

Share and warrant issuance costs will be fully amortized in 2023. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can utilize the deferred tax assets.

12. Related party transactions and balances

During the year ended October 31, 2019, the Corporation reported the following related party transactions:

a) Management fees

The Corporation is required to pay the Manager an annual management fee (the "Management Fee") fee of 1.0% of the market capitalization of the Corporation based on the daily volume-weighted average price of the common shares calculated. The Management Fee is accrued daily and paid by the Corporation to the Manager monthly in arrears. The Manager will pay the Investment Manager and the officers and directors of the Corporation provided by the Manager (other than the independent directors) out of the Management Fee.

During the year ended October 31, 2019, the Corporation incurred management fees of $287,623 (2018 - $242,524). As at October 31, 2019, accounts payable and accrued liabilities included $16,138 (2018 - $26,096) of management fees payable to the Manager.

b) Performance fee

As soon as practicable following the final Business Day of each calendar quarter (each such date, a "Performance Fee Payment Date" and each such period, a "Performance Fee Period"), the Corporation is required to pay the Manager a quarterly performance fee (the "Performance Fee") in respect of the outstanding Common Shares equal to 20% of the amount by which the sum of (i) the "weighted average market price" of the Common Shares on the Canadian Securities Exchange (the "CSE) (or such other principal market on which the Common Shares are quoted for trading) during the 15 trading days preceding the end of the Performance Fee Period, plus (ii) distributions on such Common Shares during such period, exceeds 101.25% of the Threshold Amount (the "Hurdle Rate").

12. Related party transactions and balances (continued)

b) Performance fee (continued)

The Threshold Amount will be the greater of (i) $2.60; and (ii) the weighted average market price of the Common Shares on the Performance Fee Payment Date in the last quarter for which a Performance Fee was paid.

For the period from the Closing Date to the end of the quarter, which includes the Closing Date, the Hurdle Rate will be reduced proportionately to reflect the number of days remaining in the quarter from the Closing Date to the end of that quarter. In the event that new Common Shares are issued, the Hurdle Rate application to the Performance Fee payable with respect to those Common Shares will be reduced proportionately to reflect the number of days remaining in that quarter and the Threshold Amount in respect of such Common Shares for that quarter will be the greater of (i) the issue price of the Common Shares; and (ii) the then current Threshold Amount.

During the year ended October 31, 2019 and 2018, the Hurdle rate was not reached; therefore, the Corporation did not incur performance fees.

c) Operating expenses

The Corporation will reimburse the Manager for all reasonable and necessary actual out-of-pocket costs and expenses paid by the Manager in connection with the performance of the services described in the Management Agreement, as well as certain specified expenses ancillary to the operations of the Manager, including travel on behalf of the Corporation and office space and services. During the year ended October 31, 2019, the Corporation reimbursed the Manager operating expenses of $Nil (2018 - $Nil).

d) During the year ended October 31, 2019, the Corporation incurred accounting and regulatory compliance fees of $269,514 (2018 - $169,839) from an accounting firm in which the Corporation's CFO is a Partner. As at October 31, 2019, accounts payable and accrued liabilities included $67,913 (2018 - $35,934) of fees payable to the accounting firm.

e) On behalf of the Corporation, during the year ended October 31, 2019, the President and COO paid $Nil (2018 - $57,636) of reimbursable operating expenses for the year ended October 31, 2019. As at October 31, 2019, accounts payable and accrued liabilities included $Nil (2018 - $Nil) of reimbursable expenses payable to the President and COO.

f) The stock-based compensation expense for the year ended October 31, 2019 related to stock options issued and immediately vested to directors and management was $Nil (2018 - $1,792,100).

g) Other than the stock-based compensation, compensation of key management and personnel was $Nil during the year ended October 31, 2019 (2018 - $Nil).

h) During the year ended October 31, 2019, the Corporation incurred directors' fees of $100,000 (2018 - $75,000) for the independent directors on the Corporation's Board of Directors. As at October 31, 2019, accounts payable and accrued liabilities included $100,000 (2018 - $75,000) of directors' fees.

12. Related party transactions and balances (continued)

i) During the year ended October 31, 2019, the Corporation incurred consulting fees of $63,563 (2018 - $Nil) for management services from a company controlled by one of its independent directors. As at October 31, 2019, accounts payable and accrued liabilities included $Nil (2018 - $Nil) of professional fees payable to the director's company.

j) As at October 31, 2019, the Corporation had investments in two entities that share the same CEO as the Corporation. The value of these investments is approximately $7,500,000.

k) An additional related party transaction is disclosed in note 4.

During the year ended October 31, 2019 and 2018, all related party transactions were in the normal course of operations and all services provided by related parties were made on terms equivalent to those which prevail with arm's length transactions.

13. Financial risk management

The primary business activities of the Corporation result in financial statements that are primarily comprised of financial instruments. As such, the Corporation is exposed to certain risks related to financial instruments:

a) Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Corporation is exposed to credit risk on its cash. The credit risk in cash is managed through the use of major financial institutions which have high credit qualities as determined by rating agencies. The Corporation is exposed to credit risk from its investments in convertible debentures and promissory notes of various entities in normal course of business and the related interest receivable on the principal. The credit risk on these investments is managed by investing in credit-worthy companies and establishing monitoring processes. The credit risk on interest receivable is partially mitigated through the ability to convert into underlying equity instruments of the investee.

b) Liquidity risk

Liquidity risk refers to the risk that the Corporation will have insufficient cash resources to meet its financial obligations when they become due. The Corporation manages liquidity risk by reviewing resources to ensure that it will have sufficient liquidity to meet liabilities as they become due and to support business strategies.

The Corporation generates cash flow from the disposal of investments, financing activities, and dividend and interest income. The Corporation primarily invests in equity and debt instruments of publicly traded cannabis companies. The Corporation is also permitted to invest up to 40% of capital in the private portfolio. Disposal of investments in non-publicly traded companies could differ from the carrying value since an active-market does not exist.

As at October 31, 2019, the Corporation's contractual cash flows, which were payable under financial liabilities in these financial statements consisted of accounts payable and accrued liabilities and income tax payable with payments due in less than one year. The Corporation has sufficient liquid assets to satisfy its liabilities.

13. Financial risk management (continued)

c) Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations, foreign currency exchange rates and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded. The market risks to which the Corporation is exposed are equity price risk and interest rate risk.

i) Equity price risk

The Corporation is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Corporation's earnings due to movements in individual equity prices or general movements in the level of the stock market or the cannabis sub-market. The Corporation's investments are subject to fluctuations in fair value arising from changes in the equity market. As at October 31, 2019, should the equity prices of the Corporation's holdings increase or decrease by 5%, the impact on net income or loss would be approximately $528,778 (2018 - $779,600).

ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate due to changes in market interest rates. The Corporation's exposure to interest rate risk relates to its ability to earn interest income on cash and cash equivalents and fixed income securities held. The fair value of the Corporation's cash and cash equivalents and investments affected by changes of interest rates is minimal.

d) Currency risk

Currency risk is the risk that the fair value of future cash flows from the Corporation's operations will fluctuate due to changes in foreign exchange rates. The Corporation holds investments denominated in United States dollars, ("U.S. dollar"). A change in the U.S. dollar foreign exchange rate versus the Corporation's functional and presentation currency may have an adverse effect on the Corporation's investments. As at October 31, 2019, should the U.S. dollar foreign exchange rate increase or decrease by 1%, the impact on net income or loss would be approximately $115,954 (2018 - $98,469).

	October 31, 2019	October 31, 2018
Investments denominated in U.S dollars	$ 11,595,364	$ 9,846,939

14. Subsequent events

Subsequent to the year ended December 31, 2019, the following events occurred:

a) On January 26, 2020, the warrants disclosed in note 7 and agent options disclosed in note 8 (b) expired unexercised.

b) On February 10, 2020, the Corporation entered into separate share-swap agreements with two publicly listed companies to acquire $3,500,000 in common shares of those companies and in exchange issued 5,511,810 common shares at a deemed price of $0.635 per common share.

   The Corporation announced that it has agreed to enter into a share-swap agreement with a third publicly listed company to acquire $2,000,000 in common shares of the company and in exchange will issue 3,149,606 common shares at a deemed price of $0.635 per common share. As of the date of these financial statements, this transaction has not been completed.

c) On February 28, 2020, the Corporation announced its intention to commence a normal course issuer bid, to purchase up to 5% of the issued and outstanding common shares over the next 12 months, with no more than 1% common shares purchased in any calendar month.